



Luke Bell
Vice President of Governmental Affairs
(785)267-3610 Ext. 2133 (Office)
(785)633-6649 (Cell)
Email: lbell@kansasrealtor.com

KANSAS REALTOR® ADVOCACY: REVIEW OF 2015 LEGISLATIVE SESSION

Following the longest legislative session in the history of the state, the Kansas Legislature finally adjourned on Friday, June 12th. This was a very difficult session as the Kansas Legislature was forced to increase state income and sales taxes by over \$400 million to close a budget deficit in the state's upcoming fiscal year.

Despite these challenges, the Kansas Association of REALTORS® (KAR) was very successful in protecting Kansas property owners and REALTORS® from harmful tax increases during the 2015 Legislative Session. In addition, KAR successfully pushed to give voters the right to vote on burdensome property tax increases by cities and counties.

When 7,500 Kansas REALTORS® stand together with one unified voice, we deliver a clear and effective message to the Kansas Capitol that the real estate industry is critical to the Kansas economy and that property ownership continues to be an essential component of the American Dream. Thank you for your assistance and for continuing to be a valuable member of the REALTOR® Party by supporting the REALTORS® PAC (RPAC) with your generous investments and lending your voice to our advocacy efforts at the Kansas Capitol and in the United States Congress.

#1. Giving Voters the Right to Vote on Property Tax Increases by Cities and Counties When Property Taxes are Increased over the Preceding Year by More than the Rate of Inflation – SUCCESS

- Starting on January 1, 2018, cities and counties will be prohibited from increasing property tax revenues over the preceding year by an amount that exceeds inflation, unless that increase is approved by voters. Once this goes into effect, this will give Kansas property owners a powerful tool to help limit the growth of the property tax burden.
- Prior to 1999, Kansas had a similar public vote requirement on property tax increases by local governments. However, the Kansas Legislature repealed the property tax lid during the 1999 Legislative Session following an intensive lobbying campaign by cities and counties.
- Since that time, the property tax burden on Kansas families, farmers and small businesses by cities and counties has increased exponentially. According to many studies, Kansas has one of the highest property tax burdens in the entire nation on both commercial and residential property owners.
- From 1999 to 2013, the total amount of property tax revenues collected by Kansas cities and counties has increased from \$859.4 million in 1999 to just over \$1.6 billion in 2013, which is a total increase of over 90% during this time period. On average, Kansas cities and counties increase the property tax burden by 6.4% each year, which is over twice the rate of inflation and population growth.
- Quite simply, the property tax burden cannot continue to grow at double the pace of inflation plus population growth. This drastic increase is simply not sustainable. Over time, we strongly believe the public vote requirement will put more pressure on local government officials to hold the line on property tax increases.
- In certain situations, cities and counties will still be allowed to increase property tax revenues over the preceding year without a public vote requirement. However, these situations are limited to specific situations when these increases are required to support new real estate development in the community or pay for extraordinary expenses.

#2. Protecting the Ability of Kansas Property Owners to Claim the Mortgage Interest and Property Tax Deductions on their State Income Tax Returns – SUCCESS

- In order to close the state's \$400 million budget deficit, the Kansas Legislature was forced to increase state income and sales taxes. Obviously, KAR's number one objective was to ensure that the income tax burden was not increased on Kansas property owners through the elimination of the mortgage interest and property tax deductions.
- Although several proposals were discussed behind closed doors that would have completely eliminated both the mortgage interest and property tax deductions, the Kansas Legislature made no serious attempts to completely eliminate either deduction during the 2015 Legislative Session. Thankfully, both the mortgage interest and property tax deductions will remain available for Kansas property owners in future years.
- Having said that, the Kansas Legislature did slightly reduce the amount of both the mortgage interest and property tax deductions that could be claimed in 2015 and 2016. Starting in 2015, Kansas property owners will only be able to claim 50% of their mortgage interest and property tax deductions on their state income tax returns.
- In addition to the reduced mortgage interest and property tax deductions, Kansas state income taxpayers will still be allowed to claim the charitable contribution deduction in full on their state income tax returns. However, every other itemized deduction has now been eliminated and cannot be claimed on Kansas state income tax returns.

#3. Protecting Kansas State Income Tax Relief for REALTORS®, Rental Property Owners and Other Small Business Owners – SUCCESS

- In 2013, the Kansas Legislature passed legislation that exempted all non-wage income earned by Kansas small businesses from state income taxes. Over 330,000 Kansas small businesses (including most REALTORS®) receive substantial state income tax savings due to this small business tax relief provision.
- During the 2015 Legislative Session, numerous legislators and interest groups repeatedly attempted to eliminate this small business tax relief and impose state income taxes on small business non-wage income. In our opinion, providing state income tax relief to small businesses (such as REALTORS®) frees up capital that can be used by small businesses to expand, hire new employees or stimulate the Kansas economy.
- KAR opposed these proposals since this would have been a retroactive income tax increase on small businesses for the 2015 tax year and these proposals would have increased the tax burden on rental property owners who would have been forced to pay state income taxes on currently exempt rental income.
- Thankfully, the Kansas Legislature defeated all proposals to impose state income taxes on non-wage income earned by Kansas small businesses. In all future tax years, Kansas small businesses will continue to enjoy state income tax relief on all non-wage income received by the business on schedule C, E or F of their state income tax returns.
- Having said that, the Kansas Legislature did make one narrow change to impose Kansas state income taxes on certain "guaranteed payments" of small businesses. Basically, a "guaranteed payment" is a payment made by a business to a partner or investor for services provided to the business. Under state and federal law, these payments will now be treated as a salary or wage that will be subject to both state and federal income taxes. However, this situation is extremely rare and will affect a very small number of Kansas small businesses.

#4. Protecting REALTORS® and Other Small Business Owners from Fraudulent Claims of Patent Infringement by Abusive Patent Trolls – SUCCESS

- Over the last few years, there has been a drastic increase in the number of fraudulent claims of patent infringement brought against small businesses (including REALTORS®) over the licensing, ownership and use of patents. Many of these claims are brought by patent trolls, which are abusive entities that harass small businesses with fraudulent patent infringement claims.
- During this session, KAR helped pass legislation (**SB 38**) that will crack down on patent trolls in Kansas by giving the Kansas Attorney General's office and private parties the authority to bring litigation against abusive patent trolls.