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Kansas REALTOR® Advocacy:
Update on the 2013 Legislative Session

Following one of the longest and most divisive legislative sessions in recent memory, the Kansas Legislature finally adjourned at 3:30 AM on Sunday, June 2nd. In 2013, Kansas REALTORS® were very disappointed that Kansas Governor Sam Brownback chose to continue his ill-conceived and misguided effort to eliminate the Kansas mortgage interest and property tax deductions, which forced the association to conduct another public advocacy campaign to preserve these vitally important tax benefits for middle-class Kansas home owners.

While we were forced to make some compromises to preserve these middle-class tax benefits, we were thankfully able to defeat the Governor's proposal to single out and completely eliminate the ability of Kansas state income taxpayers to claim the mortgage interest and property tax deductions on their state income tax returns. This successful effort is a testament to the dedication of Kansas REALTORS® in building up our political power through your investments in the REALTORS® Political Action Committee (RPAC) and volunteerism in our grassroots political efforts.

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 home 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 RPAC with your generous investments and lending your voice to our advocacy efforts at the Kansas Capitol and in the United States Congress.

KANSAS REALTOR® LEGISLATIVE AGENDA: TOP PRIORITIES

1. **Protecting the American Dream of Home Ownership and the Housing Market by Defeating Attempts to Eliminate the Mortgage Interest and Property Tax Deductions for Middle-Class Kansas Home Owners – SUCCESS**
   - For the second year in a row, Governor Brownback attempted to completely eliminate the ability of middle-class Kansas home owners to claim the mortgage interest and property tax deductions on their state income tax returns. If this had been passed by the Kansas Legislature, Kansas would have become the first and only state in the nation to single out and eliminate these important tax breaks for middle-class home owners.
   - Thankfully, the Kansas Legislature rejected the Governor's proposal and instead came up with a compromise tax plan that is far superior and better for taxpayers than the Governor's plan. Over the next six years, the average Kansas home owner who claims itemized deductions on his or her state income tax return will receive an average annual state tax cut of $608 under the compromise plan. Over this same time period, the compromise tax plan will reduce his or her total state income and sales tax burden by $4,257.
   - In contrast, the Governor's tax plan (which was rejected by the Kansas Legislature) would have resulted in a higher income tax burden on home owners who claim the mortgage interest and property tax deductions on their state income tax returns. In 2013 alone, the compromise tax plan will save the average taxpayer over $300 compared to the Governor's tax plan. Over the next six years, the compromise tax plan will save the average Kansas home owner who claims itemized deductions over $1,220 compared to the Governor's tax plan.
   - Unfortunately, the compromise tax plan also reduces the value of all itemized deductions (with the exception of the charitable contribution deduction that will remain 100% deductible) over time in proportion to future cuts in state income tax rates. Since Kansas taxpayers will be receiving a substantial reduction in their state income tax rates in future years, they will have to stomach a proportional cut in the value of their itemized deductions.

- The tax plan will reduce all itemized deductions (with the exception of the charitable contribution deduction that will remain permanently at 100%) by 30% in 2013, 35% in 2014, 40% in 2015, 45% in 2016, 50% in 2017 and 50% in 2018. After 2018, the amount of itemized deductions that can be claimed by a Kansas state income taxpayer on his or her state income tax return will stay at 50% permanently. These reductions in the value of itemized deductions are roughly in proportion to the future reduction in state income tax rates under this tax plan.
- In addition, the tax plan reduces state income tax rates in phases from 2013 to 2018. The top state marginal income tax rate (married filing jointly and income exceeding $30,000) will be reduced in phases from 6.45% in 2012 to 3.9% in 2018. Over this time period, this will be a roughly 40% reduction in the top income tax rate. The bottom state marginal income tax rate (married filing jointly and income below $30,000) will be reduced in phases from 3.5% in 2012 to 2.3% in 2018. This is a 35% reduction for the bottom tax rate over this time period.
- Finally, the tax plan contains a "march to zero" mechanism that will automatically reduce state marginal income tax rates after 2018 in all years when state revenue growth exceeds 2% over the previous year. In effect, this will limit future growth in state general fund spending to no more than 2% annually. For example, if state revenue grows by 3% in 2019 over 2018 tax revenues, then the additional revenue growth above 1% will be automatically devoted to further reductions in state marginal income tax rates.

2. Protecting Private Property Rights by Eliminating the Burdensome and Unreasonable Historic Environs Review Requirements and Allowing Local Governments to Adopt Their Own Preservation Standards – SUCCESS

- For the last 25 years, Kansas has had the unfortunate distinction of having one of the most strict and burdensome historic preservation laws in the entire nation. Prior to the passage of our legislation repealing these laws, Kansas was the only state in the nation that restricted property owners from making any exterior improvements to their properties without going through a burdensome review process when they are located within the "environs" area of a historic property (500 feet in the city and 1,000 feet in unincorporated areas).
- Thankfully, the Kansas Legislature agreed that these restrictions infringe on private property rights and harm economic development and job growth efforts in our communities. Effective on July 1, 2013, these burdensome requirements will be completely repealed at the state level and local governments will be free to enact their own local requirements on historic preservation and economic development.

3. Protecting Home Buyers by Regulating the Home Inspection Industry – FAILED TO OVERRIDE GOVERNOR'S VETO

- Since 2008, home inspectors operating in Kansas have been regulated by the state and have had to meet several very basic requirements to protect consumers who are making the largest financial purchase of their lives. There have been relatively few complaints from the professional home inspectors regulated under this act and the consensus has been that this act has helped protect consumers and increase the professionalism of the industry.
- Unfortunately, the law was scheduled to sunset on June 30, 2013 and the Kansas Legislature had to take action this year to permanently extend the law. Although the Kansas Legislature overwhelmingly passed legislation to remove the sunset and permanently extend the law, Governor Brownback made the misguided and unfortunate decision to veto these common-sense and reasonable consumer protections for Kansas home buyers. As a result, home inspectors operating in Kansas will no longer be regulated by the state after July 1, 2013.

4. Pushing for Property Tax Reform for Kansas Farmers, Home Owners and Small Business – WORK IN PROGRESS

- KAR continues to push for property tax reform to alleviate the crushing property tax burden on Kansas farmers, home owners and small businesses. Since 1997, this property tax burden has more than doubled and is growing at a rate 12 times faster than population growth and 3.5 times faster than inflation. If the Kansas Legislature does nothing to slow the growth of this property tax burden, then total personal and real property taxes are expected to increase by another 171% to nearly $6.7 billion annually by 2021.
- Thankfully, the Kansas House seized the mantle of property tax reform by passing the Kansas Property Tax Transparency Act (**HB 2047**), which would help make local governments more accountable and transparent by making them annually vote to accept additional property tax revenues generated from assessed valuation increases rather than automatically increasing property taxes from assessed valuation growth as in past years. However, this legislation failed to pass the Kansas Senate during this session and we will be forced to return to the Kansas Legislature during the 2014 Legislative Session to work on this very important issue.