



The 2012 Legislative Session: Key Moment for the REALTOR® Party

**Presented by Luke Bell
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Kansas Association of REALTORS®**

What is the **REALTOR® Party?**



- a According to *POLITICO* magazine, **the REALTOR® Party is “the leading edge in the next wave of lobbying and politics.”**
- a **The REALTOR® Party** is bipartisan, results-oriented and concerned with only one thing – **the prosperity of REALTORS® and the real estate market.**

Reforming Kansas Tax Structure:

NO SALES TAX ON SERVICES

\$2,312.12

**Reduction in Commission Income
per Member if a Sales Tax on Real
Estate Commissions Was Enacted**

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Reforming Kansas Tax Structure:

NO REAL ESTATE TRANSFER TAX

\$8,453.11

**Reduction in Commission Income
per Member if a Transfer Tax on
Real Estate Sales Was Enacted**

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Reforming Kansas Tax Structure:

NO REAL ESTATE TRANSFER TAX

18.6%

**Reduction in
Home Sales**

10.1%

**Lower Average
Sales Price**

Governor's New Income Tax Plan: Catastrophe for Homeowners???

Since **SB 1** (House Republicans' preferred approach) has stalled, the Governor **has proposed a new plan** to cut and eventually eliminate income taxes.

The plan will “decouple” the state income tax code from the federal tax code and prohibit Kansas taxpayers from claiming itemized deductions, **including the mortgage interest deduction!**

Plan will use the roughly **\$450 million** raised from eliminating itemized deductions to **reduce individual income tax rates for higher bracket taxpayers.**

Governor's New Income Tax Plan: Bad for Middle Class Homeowners

The overall tax plan is revenue neutral in the first year, which means that **it will raise the same amount of tax revenue as the current tax system.**

This is not a tax cut, **but it is a tax shift!** The **income tax burden will be increased on homeowners** for the benefit of upper-income non-homeowners.

If future tax cuts are reversed or slowed down, then homeowners will have lost all of their deductions in return for **no real tax relief.**



Governor's Proposed Reductions in Kansas Income Tax Rates

Single/Married Filing Separate

Amount of Income	Current Rate	Proposed Rate
\$0 to \$15,000	3.50%	3.00%
\$15,001 to \$30,000	6.25%	3.00%
\$30,001 and Above	6.45%	4.9%

Married Filing Jointly

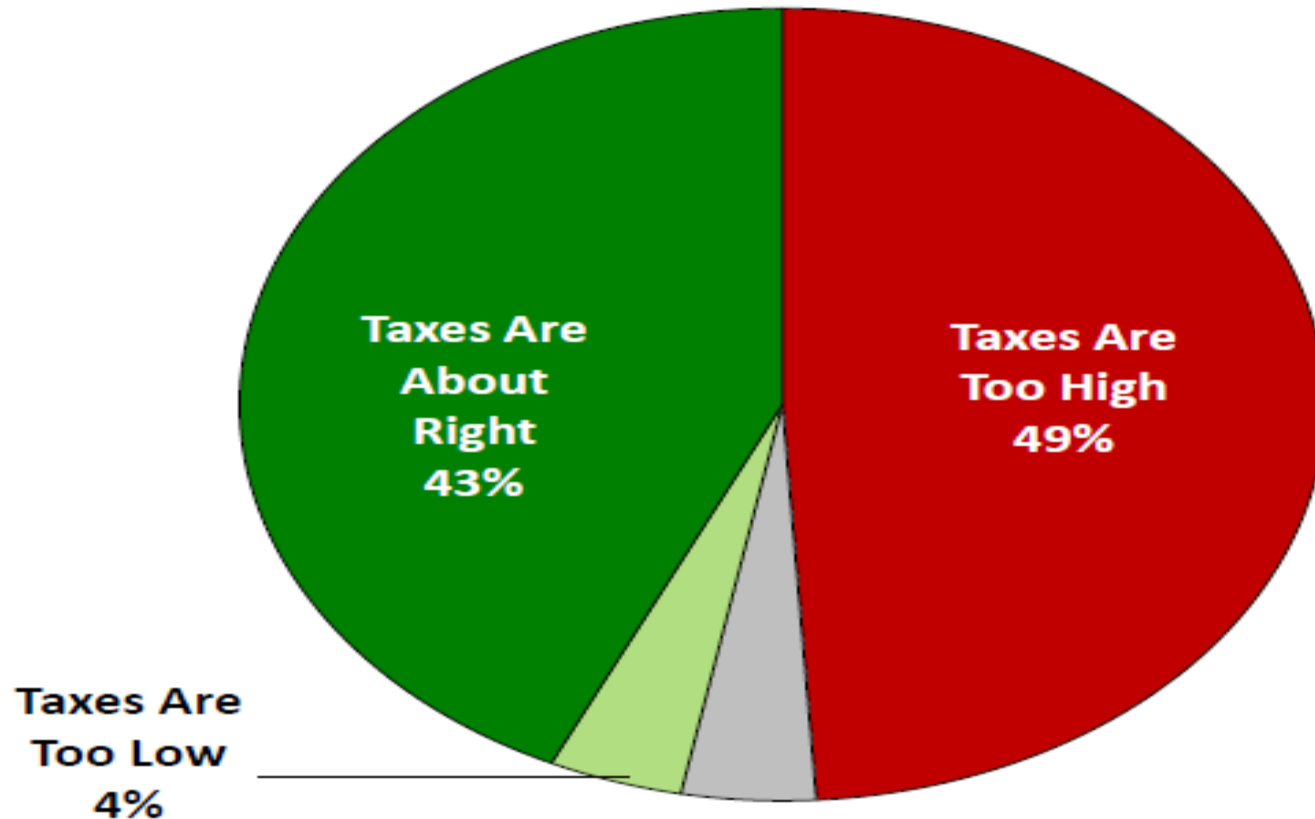
Amount of Income	Current Rate	Proposed Rate
\$0 to \$30,000	3.50%	3.00%
\$30,001 to \$60,000	6.25%	3.00%
\$60,001 and Above	6.45%	4.9%

Governor's New Income Tax Plan: What Do Voters Think?

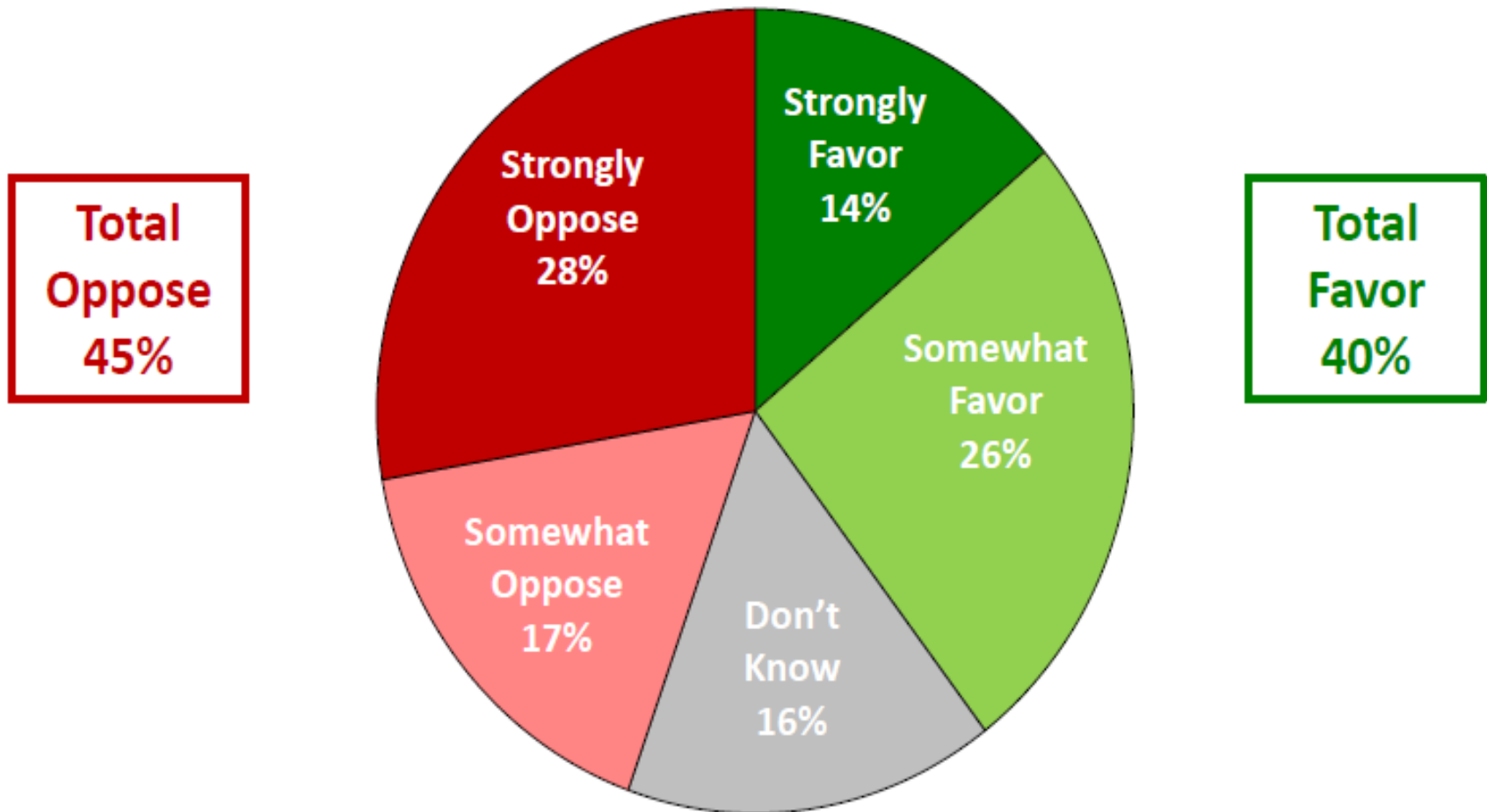
**It's a Bad Idea to Increase
Taxes on Homeowners!**

- ^a In conjunction with NAR and a private polling firm, **we polled 600 registered voters in Kansas on the Governor's tax plan.**
- ^a The research was finely tuned to ensure **geographic, demographic and partisan balance in the polling sample.**

Voters Have a **Split Opinion** on Whether Taxes are Too High



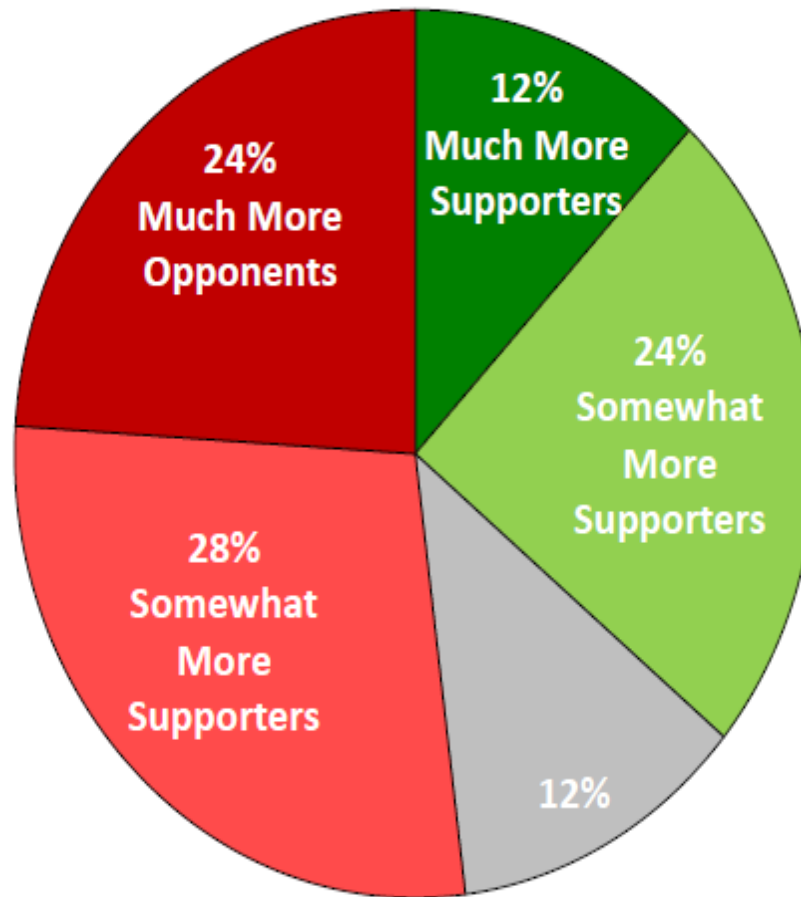
After Basic Explanation, Voters are Narrowly Opposed to the Plan



Best Message is that the Plan Will Increase Taxes on the Middle Class

Total Opponents
52%

Opponents of the plan say it is a tax break for millionaires but that middle class, regular people will end up paying more in sales and income taxes than they do now when they lose valuable deductions for things like home mortgage interest and charitable contributions.

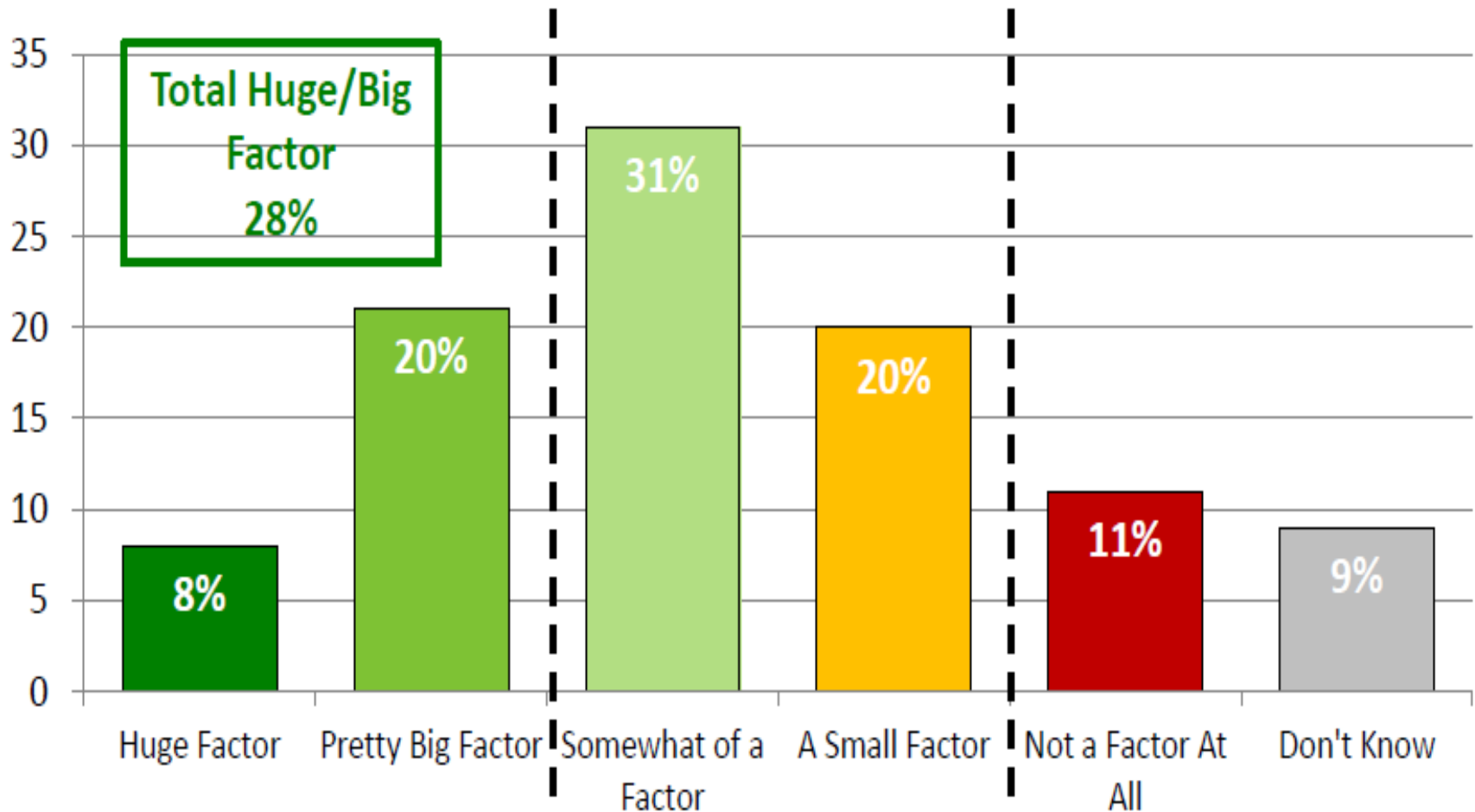


Total Supporters
36%

Supporters of the plan say that it will lower rates for everyone and will make personal income taxes less complicated and less expensive, and that it is fairer because it eliminates special interest loopholes.

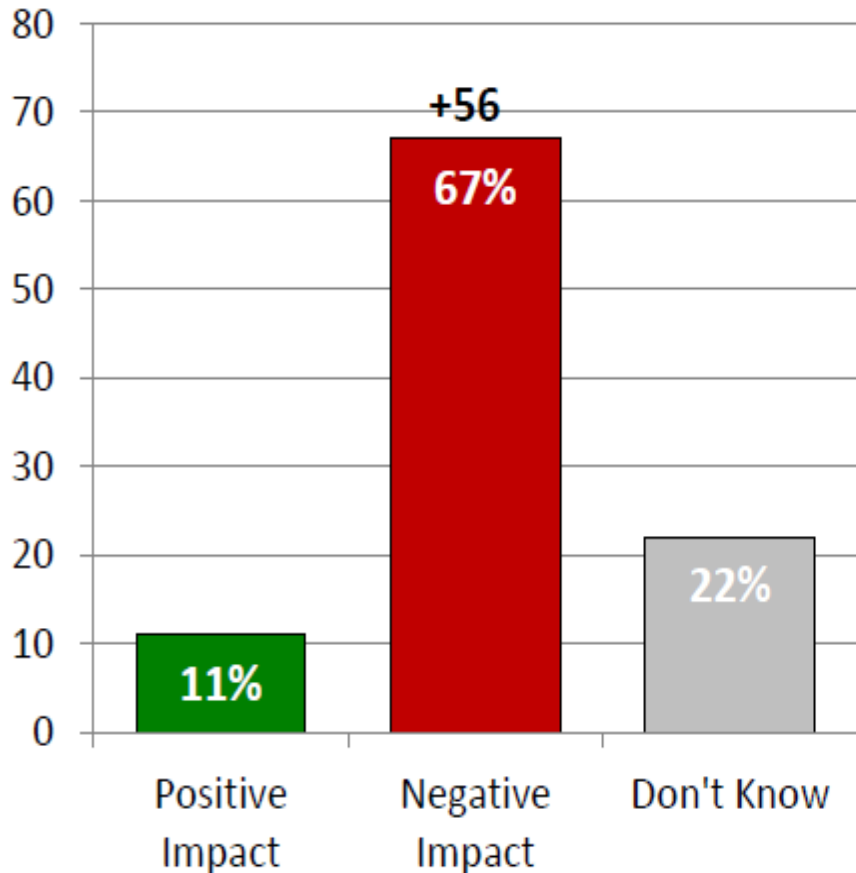
Voters Believe MID is a Factor

Encouraging Kansans to Buy Homes

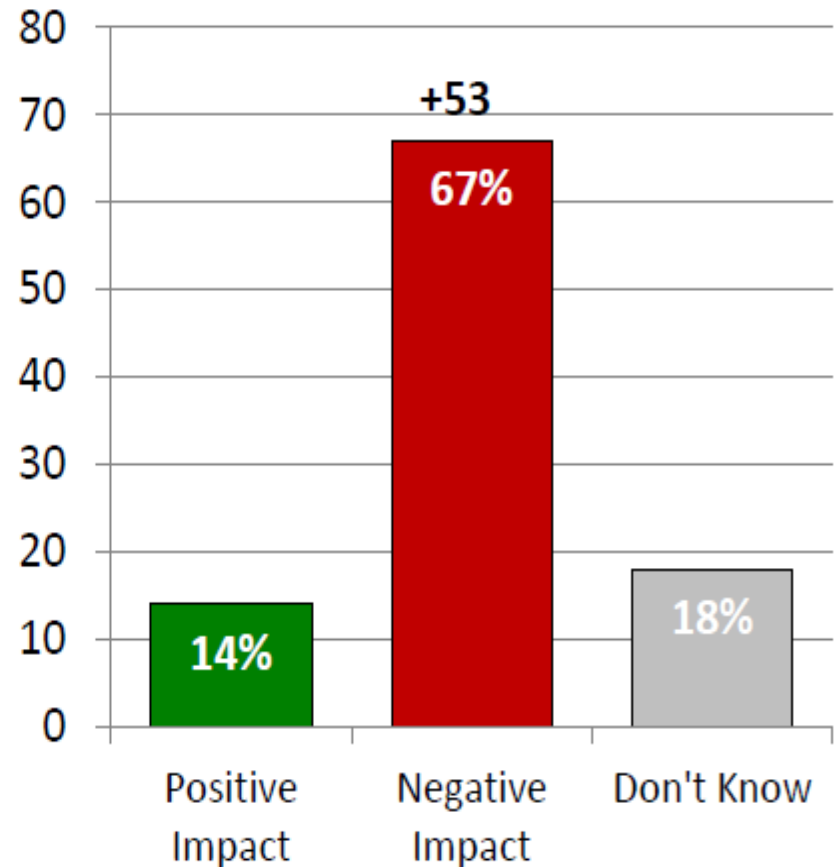


Voters Believe Eliminating MID Will Have **Negative Impact on Economy**

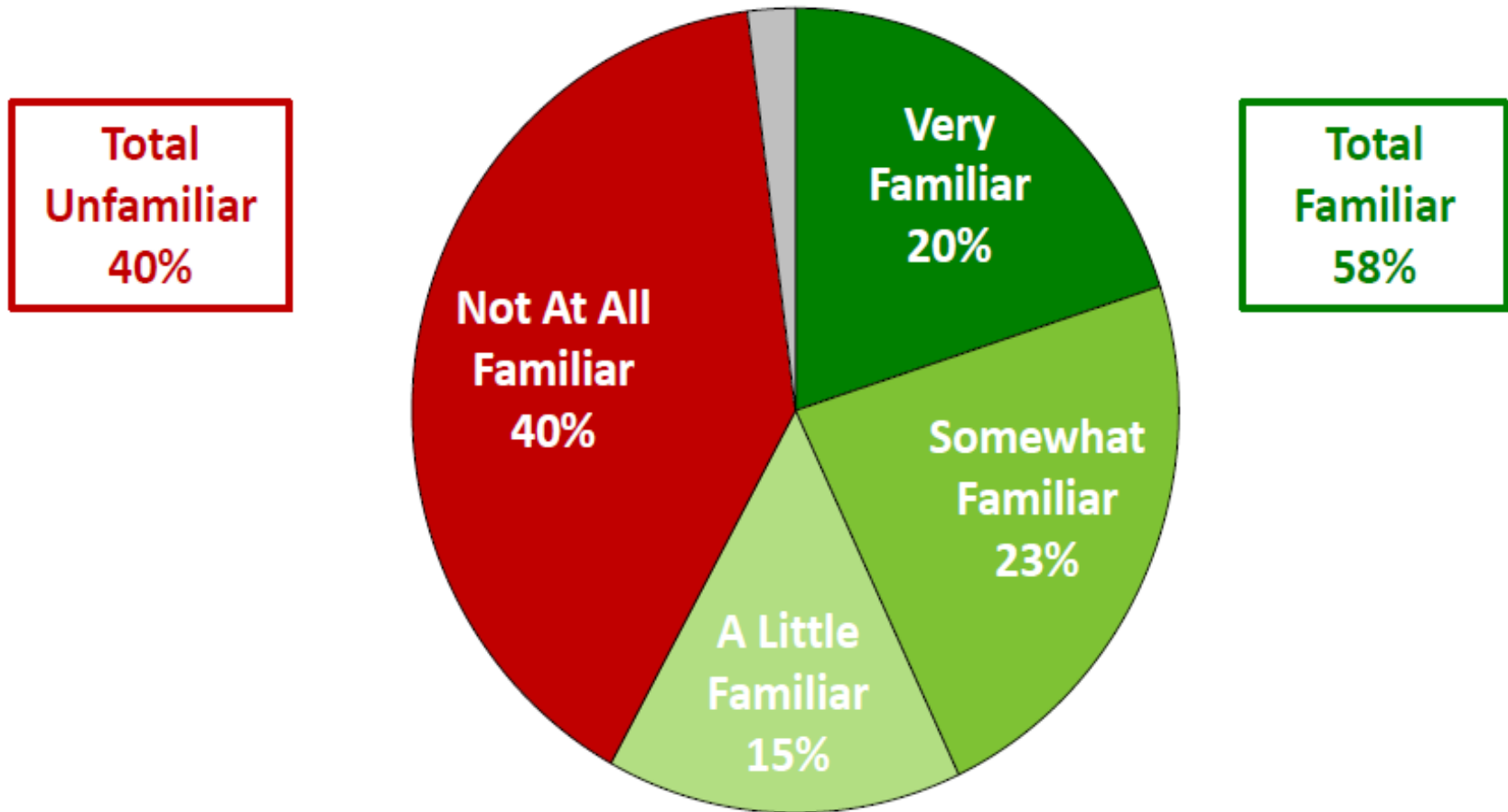
Impact on Housing Market



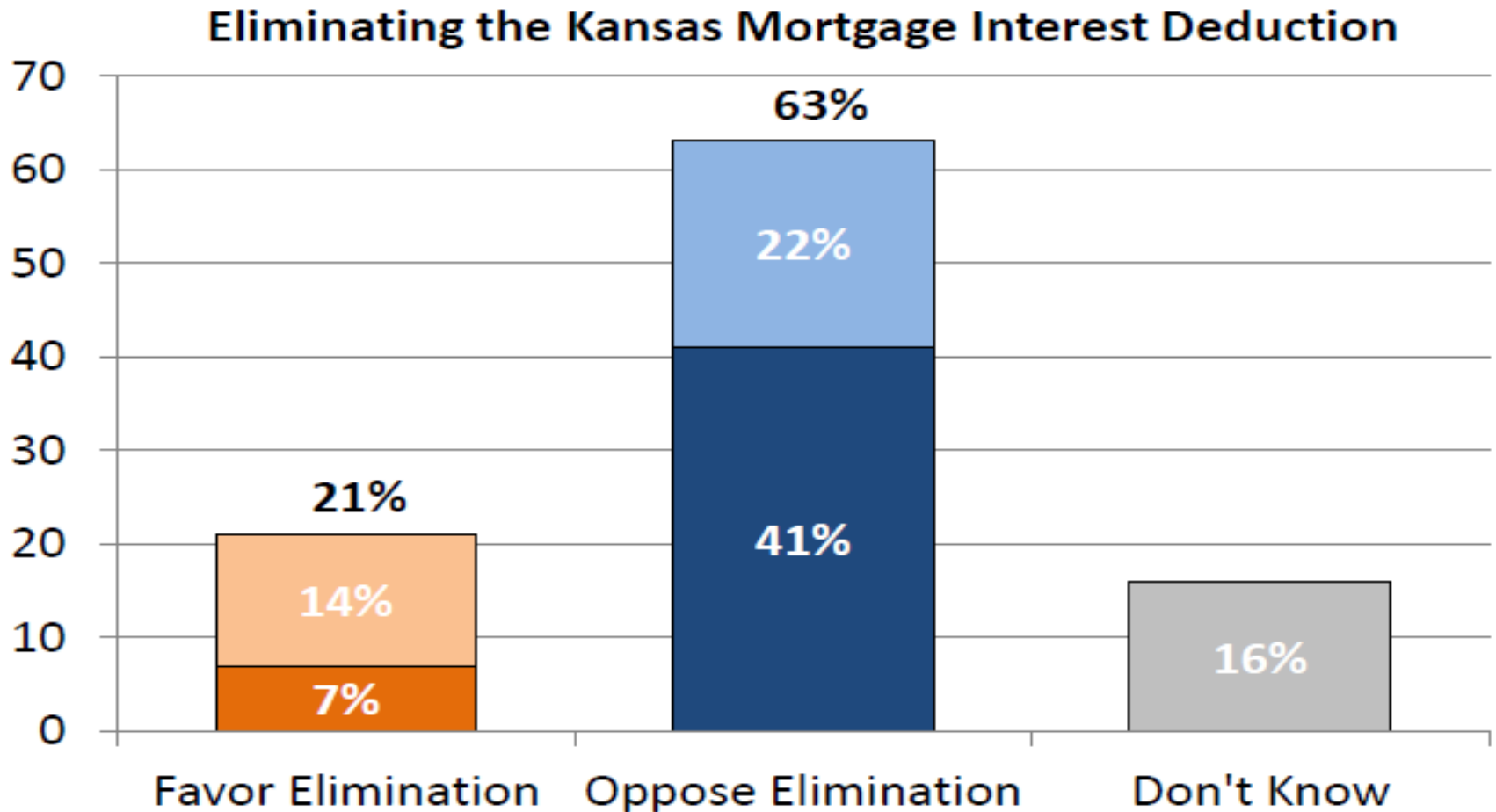
Impact on Economy



Sizeable Majority of Voters are Familiar with the MID's Benefits

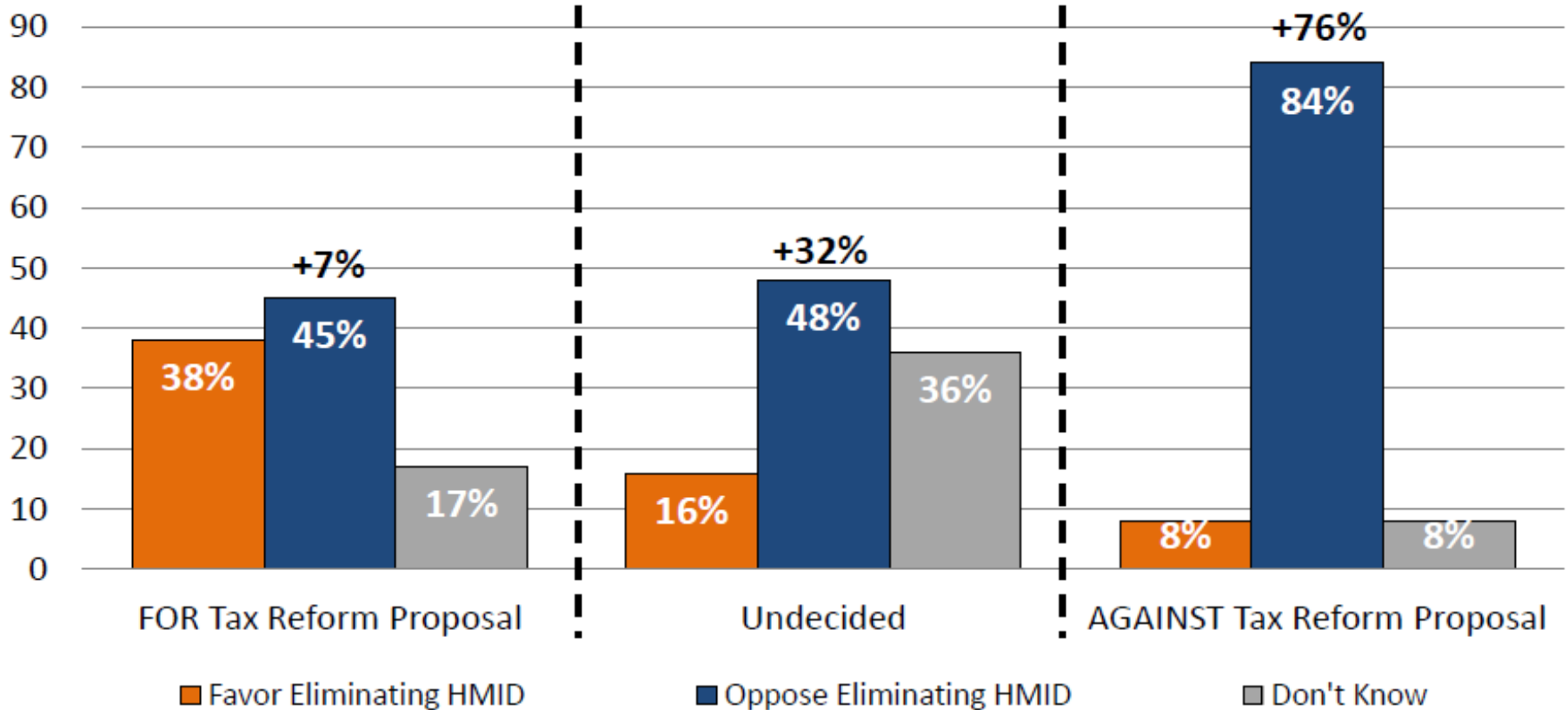


Huge Majority of Voters are Opposed to Eliminating the MID



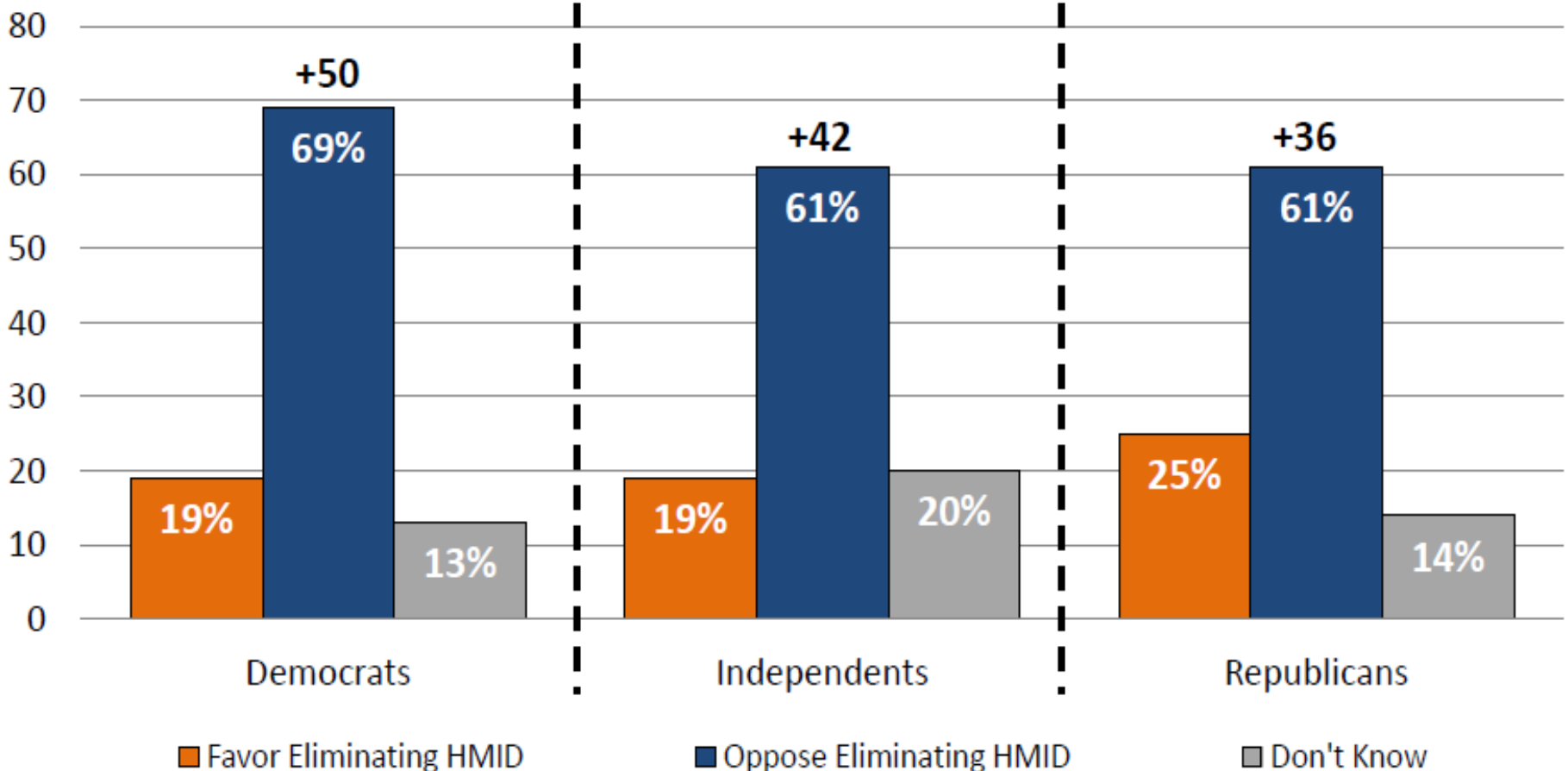
Even Voters that Support Plan are Opposed to Eliminating the MID

Eliminating the Kansas HMID by Tax Reform Proposal Vote



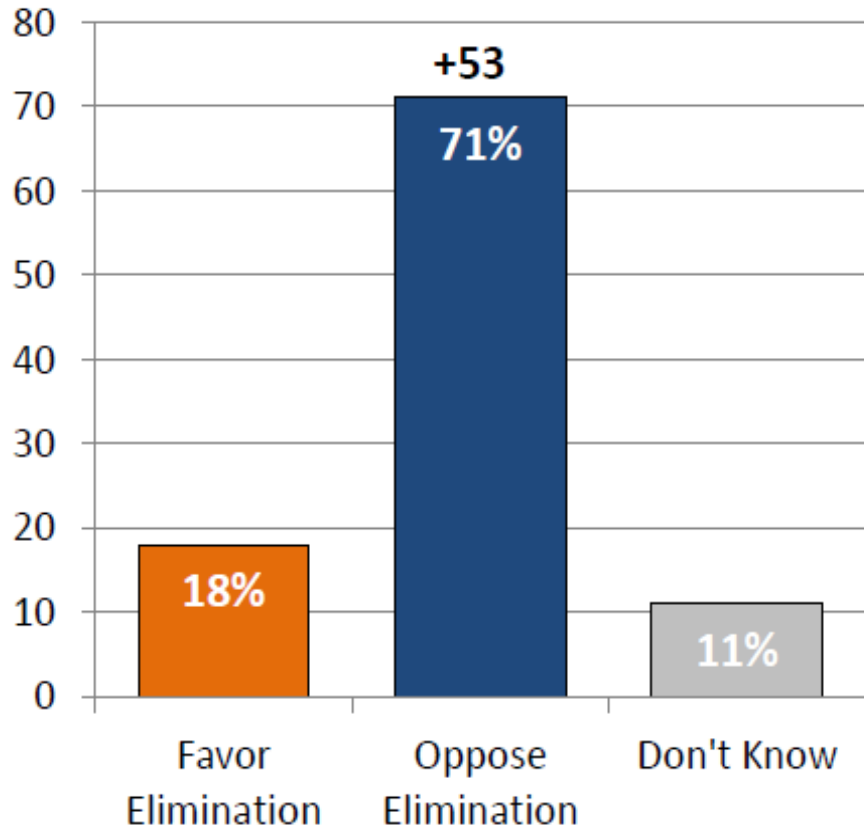
Support for MID is Non-Partisan: Opposed to Eliminating the MID

Eliminating the Kansas HMID by Partisanship

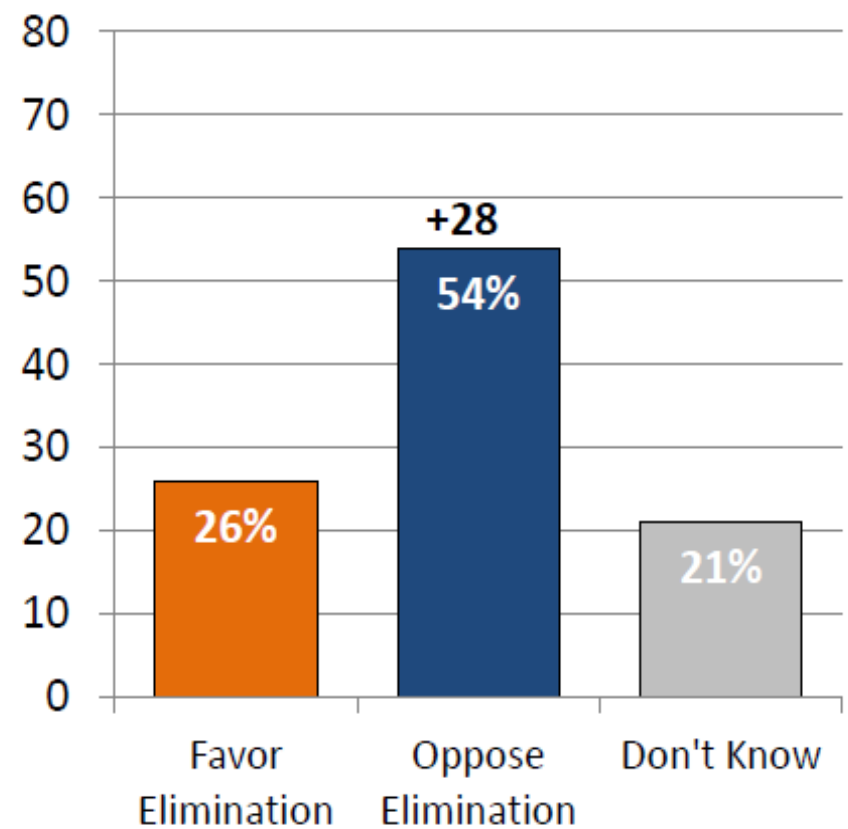


Even Voters Who are Not Aware Oppose Eliminating the MID

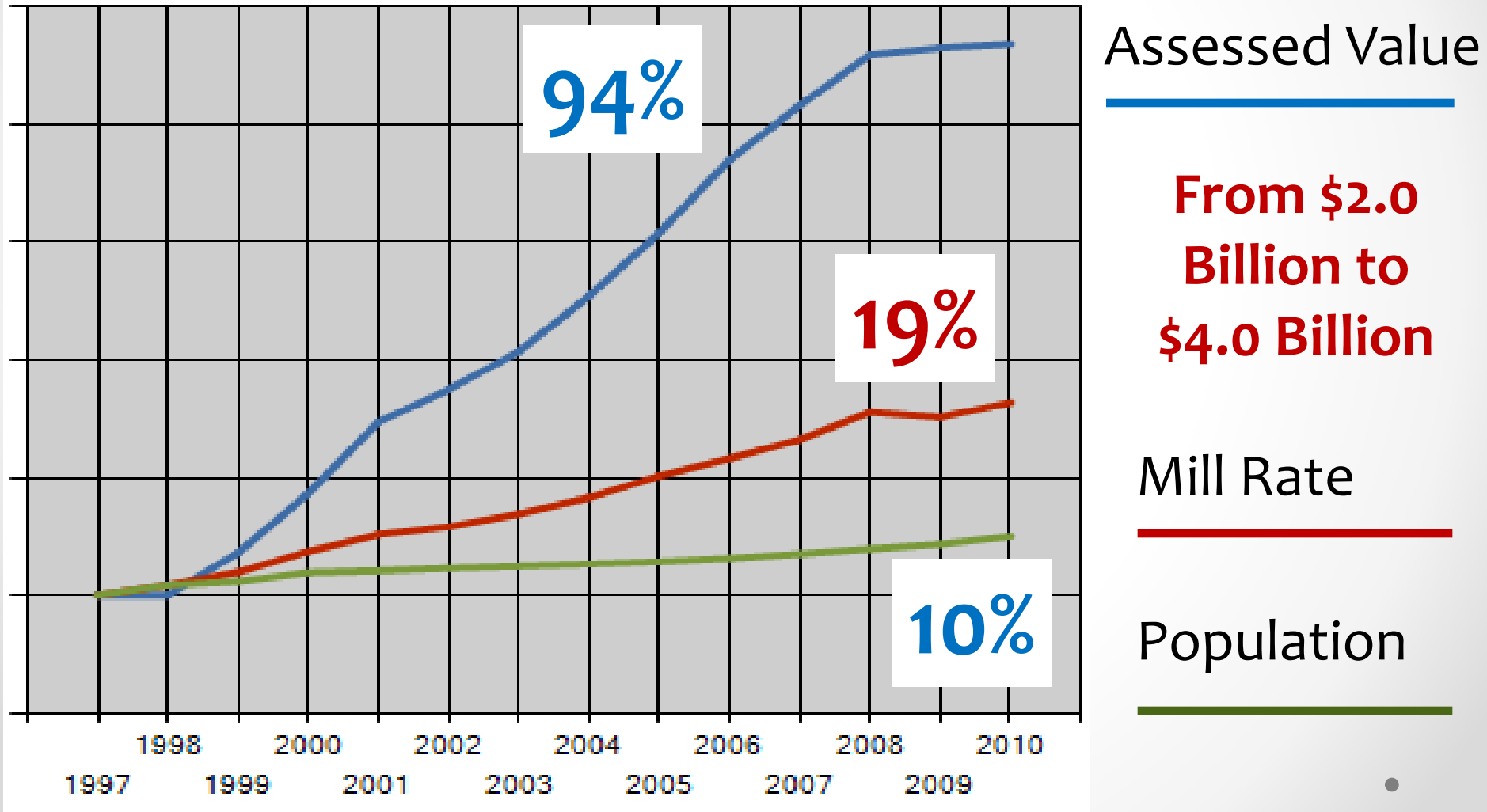
Familiar with HMID



Not Familiar with HMID



Huge Need for Fundamental Property Tax Reform in Kansas



Elements of Comprehensive Property Tax Reform in Kansas

The draft proposal contains the following elements:

- Require local governments to reduce mill levy rate each year by amount of overall appraised value increases (overall property taxes stay equal);
- **Preventing counties from increasing the appraised value of properties following a successful appeal;**
- Require public notice prior to any votes to increase property taxes through a mill levy increase; and
- **Streamlining the appeals process for property owners who have successfully appealed their values in a past year and had their value increased.**

Property Tax Reform Will Increase Transparency of Local Governments

Total property taxes collected by local governments stays equal from year to year. Each year, **mill levy rate is automatically adjusted downward** to keep property tax revenues flat.

If a local government wants more revenue, all they have to do is publish a quarter-page ad in a newspaper **stating that they are approving a tax increase and vote to actually increase the mill levy rate.**

This will put **enormous political pressure** on local elected officials to minimize property tax increases.

Updating School Finance Formula: Tinkering with Threat of Litigation

^a In spite of two pending lawsuits on school funding, the Governor intends to push for comprehensive reform of the K-12 school finance formula.

The draft proposal contains the following elements:

- Keep total funding for schools equal to this year;
- **Redistribute the statewide mill levy for K-12 formula of 20 mills to equalize funding;**
- Eliminate at-risk, special education and other weightings for special student populations; and
- **Remove the cap on local option budget (LOB) property taxes for school districts w/o requiring that any increases be approved by voters.**

Regulating Appraisal Management Companies: Fixing Problems

- a Dodd Frank Act requires all states to enact legislation **regulating appraisal management companies**. I have worked with Kansas Real Estate Appraisal Board (KREAB) to draft legislation that meets requirements.

- a Legislation **will prohibit the most egregious practices** of appraisal management companies, including among other provisions the following:
 - **Hiring out-of-market appraisers** for appraisals who have no geographic competency; and
 - Failing to pay the appraiser an **appropriate and reasonable fee** for the appraisal assignment.



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