



Testimony

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Delinquent Property Tax Interest Rate House Bill 2167

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House Tax Committee

The Unified Government of Wyandotte County/Kansas City supports House Bill 2167 which would increase the interest rate on delinquent property tax payments.

The issue of lowering the rate received very little attention last year and was slipped into House Substitute for Senate Bill 231 during a conference committee meeting in the waning hours of the session. The idea did not get a full vetting through hearings on its own merits... only as one item in a complicated Court of Tax Appeals bill.

The Unified Government of Wyandotte County/Kansas City believes it is a reasonable step to help prevent the increasing practice of using local governments as banks where inexpensive "loans" can be obtained at the expense of other taxpayers.

The Unified Government has an obligation to do everything possible to collect money it is already legally owed before it raises taxes or cuts services for every other taxpayer. Increasing the interest rate on delinquent taxes to a level which no longer makes it "profitable" to not pay taxes makes sense.

Many businesses use the relatively cheap interest rate on delinquent taxes as a business strategy... a cash-flow tool. Not paying the electric bill, gas bill, or phone bill, or suppliers carries a penalty. The services are cut-off. But there are no real penalties for not paying taxes. The Police and Fire Departments will still come when a delinquent taxpayer calls, the snowplows will still clear the street in front of the business and the delinquent taxpayer can still take a lunch break in a city park and use other public amenities... with the bill paid for by others... all those law-abiding citizens who met their responsibility to the community. Raising the interest rate will at least make the deliberate strategy of not paying taxes less lucrative.

If I'm delinquent or even late on my credit bill, the interest rate jumps substantially for failure to pay. That happens because those private businesses know imposing a penalty of higher costs is successful in prompting payment. If someone is honestly struggling to pay their property taxes, the Unified Government works with them in setting up payment plans.

House Bill 2167 is about fairness to all taxpayers. People who don't pay their taxes impose an unfair burden on those who do. The revenue shortfalls caused by delinquent taxpayers mean more taxes or less services for everyone else.