

SESSION OF 2017

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2424

As Amended by House Committee on Taxation

Brief*

HB 2424, as amended, would add an exemption to the property tax lid for cities and counties relative to costs associated with employer contributions for social security, workers compensation, unemployment insurance, health-care costs, employee benefit plans, and employee retirement and pension programs. Increased property taxes associated with these purposes would be excluded from the calculation used to determine the level at which voter approval is otherwise required prior to the implementation of certain property tax increases over the previous year.

Additional language in the bill would authorize a property tax exemption for not more than ten calendar years for certain land, buildings, and personal property owned by a redevelopment authority and located within a former federal enclave when such property is leased to a business and used exclusively for manufacturing, research and development, or warehousing purposes. Qualified redevelopment authorities would be authorized to file requests for exemption only with the approval of a board of county commissioners.

Background

The bill was requested for introduction and supported by the League of Kansas Municipalities (League). The League and other proponents testified at the hearing on March 10 in the House Committee on Taxation that local units have limited control over employee benefit costs; and noted a similar

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

exemption had been in place during the 1990's era tax lid that was in effect. Opponents, including the Kansas Association of Realtors, generally testified that adding this exemption to the new tax lid law (which is being implemented in 2017) would be premature at this point in time.

The House Taxation Committee added the amendment relating to a property tax exemption for certain property located within former federal enclaves (the subject matter of Sub. for HB 2230) on March 11.

The fiscal note prepared by the Division of the Budget on the original bill indicated the tax lid provision would be expected to have no fiscal impact for the state; and cities and counties would likely save an unspecified amount of money by holding fewer elections if the exemption were to be added to the tax lid law. The fiscal note on Sub. for HB 2230 had indicated that while enactment of that bill would have the potential to reduce property tax collections from the state's 21.5 mills, the Department of Revenue did not have adequate data to estimate the amount.