

STATE OF KANSAS

SENATE CHAMBER

MR. PRESIDENT:

I move to further amend **Senate Substitute for HB 2416**, as amended pursuant to a motion to divide the question in accordance with Senate Rule 27 adopted by the Senate Committee of the Whole as reported in the Journal of the Senate on March 22, 2022, on page 1, following line 9, by inserting:

"Section 1. The provisions of sections 1 through 14, and amendments thereto, shall be known and may be cited as the COVID-19 retail storefront property tax relief act. The purpose of this act shall be to provide refunds to certain businesses impacted by COVID-19 related shutdowns and restrictions during tax years 2020 and 2021 based on a portion of property taxes accrued on retail storefront property.

Sec. 2. As used in this act:

- (a) "Act" means the COVID-19 retail storefront property tax relief act.
- (b) (1) "Claimant" means a for-profit business, regardless of legal structure, who has filed a claim under the provisions of this act and who:
 - (A) Conducts a majority of its retail sales through customers' physical, on-site presence at a retail storefront property;
 - (B) was in operation on or prior to July 1, 2019, and filed a 2019 tax return;
 - (C) had at least \$10,000 but less than \$2,500,000 in annual revenues, including gross sales and receipts, in 2019;
 - (D) received less gross revenue in 2020 or 2021, as applicable, compared to 2019;
 - (E) was in active operations as of March 1, 2020; and

(F) has not received more than a total of \$150,000 in prior COVID-19-related local, state or federal funding or any combination thereof.

(2) "Claimant" shall not include:

(A) Grocery stores and pharmacies;

(B) hardware stores and home improvement businesses;

(C) retail liquor stores;

(D) manufacturers and food processors;

(E) schools, such as pre-kindergarten, kindergarten through grade 12, post-secondary, higher education, technical education and training;

(F) hospitals and healthcare providers, including, but not limited to, physicians, surgeons, psychologists and psychoanalysts, but not including personal services providers such as massage therapists and chiropractors;

(G) property management and real estate services, including owners or operators of short-term rental properties;

(H) professional services, including, but not limited to, accounting, insurance, legal, financial services and firms, information technology, engineering and architecture;

(I) agriculture and aquaculture producers, including farms, ranches and fisheries, but not including their retail storefronts used to conduct retail sales to customers;

(J) hosts or operators of a vacation or short-term rental unit;

(K) passive businesses, investment companies and investors who file a schedule E on their individual tax returns;

(L) financial businesses primarily engaged in the business of lending, such as banks, finance companies and factoring companies;

(M) cable companies, telephone companies, utilities and other similar businesses; and

(N) energy production, generation and distribution companies.

(3) When a retail storefront is occupied by two or more businesses and more than one of the businesses is able to qualify as a claimant, the businesses may determine between them as to whom the claimant will be. If they are unable to agree, the matter shall be referred to the secretary of revenue whose decision shall be final.

(c) "Gross rent" means the rental paid at arm's length solely for the right of occupancy of a retail storefront paid to a landlord, as expressly set out in the rental agreement, exclusive of charges for any utilities, services, furniture and furnishings or personal property appliances furnished by the landlord as a part of the rental agreement, whether or not expressly set out in the rental agreement. Whenever the director of taxation finds that the landlord and tenant have not dealt with each other at arm's length and that the gross rent charge was excessive, the director may adjust the gross rent to a reasonable amount for the purpose of the claim.

(d) "Property taxes accrued" means property taxes, exclusive of special assessments, delinquent interest and charges for service, levied on a claimant's retail storefront in 2020 or 2021, as applicable, by the state of Kansas and the political and taxing subdivisions of the state. When a retail storefront is owned by two or more persons or entities as joint tenants or tenants in common and one or more of the persons or entities is not a part of claimant's business, "property taxes accrued" is that part of property taxes levied on the retail storefront that reflects the ownership percentage of the claimant's business. For purposes of this act, property taxes are "levied" when the tax roll is delivered to the local treasurer with the treasurer's warrant for collection. When a claimant owns its retail storefront part of a calendar year, "property taxes accrued" means only taxes levied on the retail storefront when both owned and occupied as a retail storefront by the claimant's business at the time of the levy, multiplied by the percentage of 12 months that the property was owned and occupied by the business as its retail storefront in the

year. When a business owns and occupies two or more different retail storefronts in the same calendar year, property taxes accrued shall be the sum of the taxes allocable to those several properties while occupied by the business as its retail storefront during the year. Whenever a retail storefront is an integral part of a larger unit such as a multi-purpose or multi-retail storefront building, property taxes accrued shall be that percentage of the total property taxes accrued as the value of the retail storefront is of the total value. For the purpose of this act, the word "unit" refers to that parcel of property covered by a single tax statement of which the retail storefront is a part.

(e) "Rent constituting property taxes accrued" means 15% of the gross rent actually paid in cash or its equivalent in 2020 or 2021, as applicable, by a claimant solely for the right of occupancy of a retail storefront on which ad valorem property taxes were levied in full for that year. When a claimant occupies two or more different retail storefronts in the same calendar year, rent constituting property taxes accrued shall be computed by adding the rent constituting property taxes accrued for each property rented by the claimant while occupied by the claimant as its retail storefront during the year.

(f) "Retail storefront" means the real property in this state, whether owned or rented, that is occupied by the claimant's business and where the claimant conducts retail sales through customers' physical, on-site presence. "Retail storefront" may consist of a part of a multi-purpose or multi-retail storefront building. "Owned" includes a vendee in possession under a land contract, a life tenant, a beneficiary under a trust and one or more joint tenants or tenants in common.

Sec. 3. (a) For tax years 2020 and 2021, a claimant shall be eligible for a claim for refund under this act if the claimant's eligible business operated at the retail storefront was operationally shut down or restricted by a COVID-19-related order or action imposed by the

state, a local unit of government or a local health officer, including, but not limited to, by an executive order issued by the governor pursuant to K.S.A. 48-925, and amendments thereto, or any action taken by a local unit of government related to a state of disaster emergency declared pursuant to K.S.A. 48-924, and amendments thereto, or a state of local disaster emergency declared pursuant to K.S.A. 48-932, and amendments thereto.

(b) The amount of refund under this act shall be equal to 33% of the COVID-19 qualifying sum. The COVID-19 qualifying sum shall be the sum of the COVID-19 ordered shutdown days gross rebate amount calculated pursuant to subsection (c) and the COVID-19 ordered restricted operations days gross rebate amount calculated pursuant to subsection (d).

(c) The COVID-19 ordered shutdown days gross rebate amount shall be the amount of the claimant's property taxes accrued or rent constituting property taxes accrued for the tax year divided by the applicable factor set forth in the following schedule:

Number of ordered shutdown days	Divide property taxes accrued or rent constituting property taxes accrued by:
91 or more	3
61 to 90	4
31 to 60	6
1 to 30	12

(d) The COVID-19 ordered restricted operations days gross rebate amount shall be the amount of the claimant's property taxes accrued or rent constituting property taxes accrued for the tax year divided by the applicable factor set forth in the following schedule:

Number of ordered restricted operations days	Divide property taxes accrued or rent constituting property taxes accrued by:
211 or more	2

181 to 210	2.289
151 to 180	2.667
121 to 150	3.2
91 to 120	4
61 to 90	5.333
31 to 60	8
1 to 30	16

(e) For purposes of subsections (c) and (d), an eligible calendar day may be counted only once as either an ordered shutdown day or an ordered restricted operations day.

(f) A claimant with a qualifying business at a retail storefront that ceased operations after March 1, 2020, and before January 1, 2021, is eligible for a rebate only for tax year 2020.

(g) The maximum amount of a refund that may be claimed by a claimant in any single tax year pursuant to this act shall be \$7,500.

Sec. 4. A claimant may claim property tax relief under this act with respect to property taxes accrued or rent constituting property taxes accrued and, after audit by the director of taxation with respect to this act, the allowable amount of such claim shall be paid, except as otherwise provided in section 9, and amendments thereto, to the claimant from the income tax refund fund. Such payment shall be made upon warrants of the director of accounts and reports pursuant to vouchers approved by the director of taxation or by any person designated by the claimant, but no warrant issued shall be drawn in an amount of less than \$5. No interest shall be allowed on any payment made to a claimant pursuant to this act.

Sec. 5. Only one claimant per retail storefront per year shall be entitled to relief under this act.

Sec. 6. For tax years 2020 and 2021, no claim shall be paid or allowed unless such

claim is filed with and in the possession of the department of revenue on or before April 15, 2023, except that the director of taxation may extend the time for filing any claim or accept a claim filed after the filing deadline when good cause exists, if the claim has been filed within four years of the deadline.

Sec. 7. (a) In administering this act, the director of taxation shall make available suitable forms with instructions for claimants.

(b) The secretary of revenue is hereby authorized to adopt such rules and regulations as may be necessary for the administration of the provisions of this act.

Sec. 8. (a) Every claimant under this act shall provide to the director of taxation, in support of a claim, reasonable proof of eligibility for the refund.

(b) Every claimant who is a retail storefront owner, or whose claim is based wholly or partly upon retail storefront ownership at some time during the calendar year, shall supply to the director of taxation, in support of a claim, the amount of property taxes levied upon the property claimed as a retail storefront and a statement that the property taxes accrued used for purposes of this act have been or will be paid by the claimant. Upon request by the director, such claimant shall provide a copy of the statement of property taxes levied upon the property claimed as a retail storefront.

(c) Every claimant who is a retail storefront renter, or whose claim is based wholly or partly upon retail storefront rental at some time during the calendar year, shall supply to the division, in support of a claim, a statement prescribed by the director certifying the amount of gross rent paid and that ad valorem property taxes were levied in full for that year on the property, all or a part of which was rented by the claimant.

(d) The information required to be furnished under subsection (b) or (c) shall be in addition to that required under subsection (a).

Sec. 9. (a) The amount of any claim otherwise payable under this act may be applied by the director of taxation against any liability outstanding on the books of the department of revenue against the claimant in the year that the claim relates.

(b) If there are delinquent property taxes for tax year 2020 or 2021 on a retail storefront owned by the claimant, the refund shall be paid to the county treasurer of the county in which such retail storefront is located and applied to such delinquent property taxes.

Sec. 10. If there are delinquent property taxes for a tax year commencing prior to January 1, 2020, on a retail storefront owned by the claimant, the claimant shall not be eligible for the refund pursuant to this act for such retail storefront.

Sec. 11. In any case in which it is determined that a claim is or was excessive and was filed with fraudulent intent, the claim shall be disallowed in full, and, if the claim has been paid, the amount paid may be recovered by assessment as income taxes are assessed, and such assessment shall bear interest from the date of payment or credit of the claim, until recovered, at the rate of 1% per month. The claimant in such case and any person who assisted in the preparation or filing of such excessive claim or supplied information upon which such excessive claim was prepared, with fraudulent intent, shall be guilty of a class B misdemeanor. In any case in which it is determined that a claim is or was excessive and was negligently prepared, 10% of the corrected claim shall be disallowed, and, if the claim has been paid, the proper portion of any amount paid shall be similarly recovered by assessment as income taxes are assessed, and such assessment shall bear interest at the rate of 1% per month from the date of payment until recovered. In any case in which it is determined that a claim is or was excessive due to the fact that the claimant neglected to include certain income received during the year, the claim shall be corrected and the excess disallowed, and, if the claim has been paid, the proper portion of any amount paid shall be similarly recovered by assessment as income taxes are assessed.

Sec. 12. A claim shall be disallowed if the director of taxation finds that the claimant received title to such claimant's retail storefront primarily for the purpose of receiving benefits under this act.

Sec. 13. Each county shall pay to the state an amount equal to 33% of the refund claims paid pursuant to this act for eligible property located in such county. A county may expend moneys from the county general fund to pay the state pursuant to this section.

Sec. 14. To the extent applicable, the provisions of K.S.A. 79-3226, and amendments thereto, shall apply to claims for refunds allowable pursuant to this act that may become in dispute.";

And by renumbering sections accordingly;

On page 1, in the title, in line 7, before the period, by inserting "; establishing the COVID-19 retail storefront property tax relief act to provide partial refunds to certain businesses impacted by COVID-19-related shutdowns and restrictions";

And by adjusting the title and repealer accordingly if multiple amendments are adopted

Senator _____