

SESSION OF 2022

**SUPPLEMENTAL NOTE ON SENATE SUBSTITUTE FOR
HOUSE BILL NO. 2597**

As Recommended by Senate Committee on
Assessment and Taxation

Brief*

Senate Sub. for HB 2597 would amend law related to property taxes. The bill would amend law related to the revenue-neutral notice and hearing process, specify the classification of certain land as agricultural, create a property tax exemption for antique utility trailers, and provide for the proration of property taxes for certain personal property.

Revenue Neutral Rate Changes

The bill would allow taxpayers owning property within a taxing subdivision, or their duly authorized representatives, to file complaints with the Board of Tax Appeals showing that a taxing subdivision did not comply with the notice and hearing and budget adoption provisions of the revenue neutral rate law. Upon the filing of a complaint, the governing body of the taxing subdivision would be required to provide evidence demonstrating, by a preponderance of the evidence, the validity of any challenged tax levy. If the Board of Tax Appeals finds the taxing subdivision did not comply with the revenue neutral rate requirements, it would be directed to order refunds of property taxes paid or a reduction of taxes levied for taxes collected or levied in excess of the amount generated by the revenue neutral rate. The Board of Tax Appeals would be required to provide a form for the filing of such complaints and would not be permitted to charge a filing fee for any such complaints.

*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>

The bill would direct county clerks to reduce the amount of property taxes to be levied by taxing subdivisions to the amount resulting in the taxing subdivision's revenue neutral rate if the governing body of the taxing subdivision does not comply with the notice and hearing and budget adoption procedures required by the revenue neutral rate law.

The bill would require the revenue neutral notice to include the percentage by which the proposed property tax rate exceeds the revenue neutral rate.

The bill would require the vote approving a resolution or ordinance to exceed the revenue neutral rate to be a roll call vote. The bill would require a copy of the resolution or ordinance to exceed the revenue neutral rate and the roll call vote to be included in the adopted budget filed with the county clerk and Director of Accounts and Reports, and the bill would require such information to be published on the website of the Department of Administration.

The bill would require budgets of taxing subdivisions filed with the Director of Accounts and Reports to be filed on or before December 31 of each year. The Department of Administration would be required to make such budget documents and revenue neutral rate documents available to the public on the Department of Administration's website via a conspicuous link on the front page of the Department's website.

The Department of Administration would also be required to annually provide a list of taxing subdivisions by county with information concerning the revenue neutral rate of each taxing subdivision, whether the taxing subdivision held a hearing to exceed its revenue neutral rate, the tax rate resulting from the adopted budget, and the percent change between the revenue neutral rate and the tax rate for each taxing subdivision.

Zoo and Agritourism Land Classification

The bill would provide that land utilized by zoos holding a class C exhibitor license issued by the U.S. Department of Agriculture and land devoted to the production of plants, animals or horticultural products that is incidentally used for agritourism activity, which would be defined by the bill, would be classified as land devoted to agricultural use for purposes of property taxation.

Grassland Conservation Reserve Program Land Classification

The bill would specify that, beginning in tax year 2023, all land devoted to agricultural use that is subject to the federal Grassland Conservation Reserve Program shall be classified as grassland for property tax purposes.

Antique Utility Trailers

The bill would create a property tax exemption beginning in tax year 2023 for antique utility trailers used exclusively for personal use and not for the production of income. The bill would define such trailers as 30 years old or older with an empty weight of 2,000 pounds or less and a gross weight of 8,000 pounds or less.

Personal Property Tax Proration

The bill would provide the taxable value of personal property acquired or sold after January 1 and prior to September 1 of any taxable year to be prorated based upon the number of months, or majority portion thereof, the property was owned during the year divided by 12 months.

Property acquired on or after September 1 would not be subject to tax for the current year.

Background

HB 2597 was introduced by the House Committee on Transportation at the request of Representative Blex on behalf of the Kansas Department of Wildlife and Parks. As introduced, the bill regarded certain distinctive license plates.

The Senate Committee on Assessment and Taxation removed the contents of the bill, inserted the contents described above, and recommended a substitute bill be created. The contents described above originated in several bills. The background for those bills is provided below.

SB 433 (Antique Utility Trailers)

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Dietrich.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by Senator Dietrich stating the bill would treat utility trailers consistently with certain other antique personal property and would have a limited fiscal impact. Written-only proponent testimony was provided by Senator Petersen.

No other testimony was provided.

The Senate Committee recommended the bill be placed on the Consent Calendar.

SB 542 (Revenue Neutral Rate Changes)

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Tyson.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by representatives of the Kansas Chamber of Commerce and Kansas Policy Institute, stating the bill would provide for more effective reporting and enforcement of the revenue neutral rate provisions enacted by the 2021 Kansas Legislature.

Opponent testimony was provided by representatives of the City of Topeka and the Kansas County Commissioners Association, stating the bill may result in untimely resolution of complaints filed pursuant to the bill, putting local tax levies in jeopardy and stating the bill could invite complaints by individuals with no property in the taxing jurisdiction. Written-only opponent testimony was provided by the cities of Derby, Overland Park, and Prairie Village.

No other testimony was provided.

The Senate Committee amended the bill to limit the complaints under the bill to taxpayers owning property within the taxing jurisdiction or their duly authorized representatives.

SB 554 (Zoo and Agritourism Classification)

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Tyson.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by a representative of Tanganyika Wildlife Park stating the bill would treat property owned by exhibiting zoos comparable to that owned by breeding operations.

Opponent written-only testimony was provided by a representative of the League of Kansas Municipalities.

Neutral written-only testimony was provided by representatives of the Kansas Department of Commerce and Kansas Farm Bureau.

No other testimony was provided.

The Senate Committee amended the bill to specify the definition of agritourism.

SB 555 (Personal Property Tax Proration)

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Tyson.

The Senate Committee amended the bill to remove provisions related to collection of unpaid municipal utility fees.

SB 565 (Grassland Classification)

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Tyson.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by Senator Bowers and a representative of the Kansas Farm Bureau, stating the bill would correct an unintended consequence of evolving federal conservation programs. Written-only proponent testimony was provided by a private citizen.

No other testimony was provided.

Fiscal Information

SB 433 (Antique Utility Trailers)

According to the fiscal note prepared by the Division of the Budget on the bill, the Department of Revenue indicates enactment of the bill would decrease property tax revenues to state and local governments by a negligible amount. Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2023 Governor's Budget Report*.

SB 542 (Revenue Neutral Rate Changes)

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Department of Revenue estimates enactment of the bill would have no effect on state revenues. The Board of Tax Appeals and the Department of Administration indicate enactment of the bill would result in updates to forms and a potential increase in cases filed, but estimate the cost to be negligible and able to be absorbed within existing resources.

The Kansas Association of Counties and League of Kansas Municipalities indicate the bill has the potential to increase costs for local governments to respond to revenue neutral rate complaints. Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2023 Governor's Budget Report*.

SB 554 (Zoo and Agritourism Classification)

According to the fiscal note prepared by the Division of the Budget on the bill, the Department of Revenue estimates enactment of the bill would reduce property tax revenues by \$1,380 for the state building funds and by \$18,370 for the statewide uniform school levy each year. Enactment of the bill would also decrease local property tax revenues. Any fiscal

effect associated with enactment of the bill is not reflected in *The FY 2023 Governor's Budget Report*.

SB 555 (Personal Property Tax Proration)

The Department of Revenue is unable to estimate the fiscal impact enactment of the bill may have. Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2023 Governor's Budget Report*.

SB 565 (Grassland Classification)

According to the fiscal note prepared by the Division of the Budget on the bill, the Department of Revenue indicates enactment of the bill would reduce property tax revenues to state and local governments by an indeterminate amount. Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2023 Governor's Budget Report*.

Taxation; property tax; revenue-neutral rate; agricultural land classification; zoos; grassland; conservation reserve program; personal property tax proration; antique utility trailers