

SESSION OF 2023

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2002**

As Amended by Senate Committee of the Whole

**Brief\***

HB 2002, as amended, would amend law related to the revenue neutral rate hearing notice, require property valuation notices to include additional information, permit the use of fee simple appraisals performed by Kansas Certified Residential Real Property Appraisers in certain valuation appeals, permit payment under protest appeals by taxpayers having already appealed their property valuation pursuant to an equalization appeal, and codify agricultural land adverse influences for property valuation purposes.

The bill would be in effect upon publication in the *Kansas Register*.

***Revenue Neutral Rate Hearing Notice and Reimbursement***

The bill would extend for one additional year, through calendar year 2024, the state reimbursement of printing and postage costs incurred when county clerks are required to mail notices of proposed tax increases beyond the revenue-neutral rate. The bill also would extend the transfer from the State General Fund to the Taxpayer Notification Costs Fund to reimburse the printing and postage costs for one additional year.

The bill also would replace the current provisions establishing minimum requirements for the contents of the revenue neutral rate hearing notice with new provisions

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\*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>

specifying the heading and opening statement of the notice and requiring:

- The appraised and assessed value of the taxpayer's property for the current and previous year;
- The amount of property tax of each taxing subdivision on the property from the previous year's tax statement;
- The estimated amount of property tax for the current year of each taxing subdivision based on the revenue neutral rate;
- The estimated amount of property tax for the current year of each taxing subdivision based on the greater of the revenue neutral rate or the proposed tax rate provided by the subdivision to the county clerk, if the subdivision has notified the clerk of its intent to exceed the revenue neutral rate;
- The difference between the current year's maximum tax and the previous year's tax, in both dollars and percent, for each taxing subdivision;
- The date, time, and location of the hearing for each subdivision intending to exceed the revenue neutral rate; and
- For each taxing subdivision holding a revenue neutral rate hearing, the difference between the current year's maximum tax and the estimated tax at the revenue neutral rate.

***Property Valuation Notice Information***

The bill would require annual property valuation notices provided by county appraisers to include the appraised and

assessed value of the property for the current year and two preceding years.

[*Note:* Current law requires the notice to include information for the current year and one preceding year.]

### ***Residential Real Property Valuation Appeals***

The bill would permit the use of appraisals performed by Kansas Certified Residential Real Property Appraisers for the equalization appeal procedure wherein a taxpayer files a third-party fee simple appraisal within 60 days after the notice of informal meeting results or final determination is mailed to the taxpayer.

[*Note:* Current law provides for only the use of appraisals performed by Kansas Certified General Real Property Appraisers for this appeal procedure.]

### ***Payment Under Protest Prohibition Repeal***

The bill would eliminate a provision prohibiting a taxpayer from appealing the valuation of their property using the payment under protest appeal procedure if they have already appealed their valuation pursuant to the equalization appeal and informal meeting procedure.

### ***Agricultural Land Adverse Influence***

The bill would codify the adjustments reducing the taxable value of agricultural land on the basis of adverse influences not sufficiently accounted for in the agricultural use valuation formula that are currently provided for in administrative guidance from the Property Valuation Division of the Department of Revenue.

The codified adverse influences would include, but not be limited to:

- Canopy cover, for which value is reduced from 20 to 50 percent based upon canopy covering of 25 to 100 percent of the impacted land.
- Salinity and alkalinity, for which value is reduced based upon a taxpayer-provided soil analysis from a crop consulting service;
- Water table fluctuation, for which value is reduced based upon the results of a U.S. Department of Agriculture Natural Resources Conservation Service review of the water table levels of the impacted land; and
- Newly constructed drainage and flood control areas, for which value is reduced based upon the impact on land use from newly constructed drainage and flood control areas.

## **Background**

The bill was introduced by Representative Fairchild.

## ***House Committee on Taxation***

In the House Committee hearing, **proponent** testimony was provided by Representative Fairchild, a representative of the Kansas Association of Counties, and a former county commissioner of Linn County. The proponents generally stated county costs associated with requirements mandated by the State should be reimbursed by state funds.

Written-only proponent testimony was also provided by representatives of the City of Overland Park, Kansas Association of School Boards, Kansas County Commissioners Association, League of Kansas Municipalities, and Unified Government of Wyandotte County and Kansas City, Kansas, as well as county clerks from Sedgwick and Cowley counties, county commissioners from

Meade and Stafford counties, the Riley County Board of Commissioners, a Sedgwick County manager, a city manager of Manhattan, and the Director of Treasury, Taxation, and Vehicles of Johnson County.

Written-only neutral testimony was provided by a representative of the Kansas Policy Institute.

**Opponent** testimony was provided by a resident of Douglas County, who stated requiring counties to pay costs associated with raising taxes above the revenue-neutral rate provides accountability for imposing such increases.

### ***Senate Committee on Assessment and Taxation***

In the Senate Committee hearing, **proponent** testimony was provided by Representative Fairchild, who generally stated the revenue neutral rate law without the reimbursement would amount to an unfunded mandate by the state upon local governments.

Written-only proponent testimony was provided by representatives of the Kansas Association of Counties, Kansas Association of School Boards, League of Kansas Municipalities, Meade County, and the City of Overland Park.

Written-only neutral testimony was provided by a representative of the Kansas Policy Institute.

No other testimony was provided.

The Senate Committee amended the bill to change the reimbursement extension from indefinite to one additional year and to insert provisions:

- Increasing the number of prior years' data provided on appraisal notices (similar to provisions previously contained in HB 2201);

- Modifying the contents of and specifying the form for the revenue neutral rate hearing notice;
- Permitting the use of fee simple appraisals performed by Kansas Certified Residential Real Property Appraisals in residential property valuation appeals;
- Codifying adverse influences for agricultural land valuations; and
- Changing the effective date.

### ***Senate Committee of the Whole***

The Senate Committee of the Whole amended the bill to insert the provision permitting payment under protest appeals by taxpayers who have previously appealed their valuation pursuant to the equalization appeal procedure.

### **Fiscal Information**

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Department of Revenue indicates language relating to the revenue-neutral rate requirements would have no fiscal effect on state property tax revenue, but would result in a maximum State General Fund transfer of \$1.3 million in tax year 2024, which would occur in fiscal year 2025. The Department indicates future transfers could be higher, as the cost of printing and postage may increase.

A revised fiscal note on the amended bill was not immediately available. Any fiscal effect associated with the bill is not reflected in *The FY 2024 Governor's Budget Report*.

Taxation; property tax; appraisals; revenue neutral rate; reimbursement; appraisal notification; valuation appeals; payment under protest; revenue neutral rate hearing notice; agricultural land; adverse influence