

SESSION OF 2017

**SUPPLEMENTAL NOTE ON SUBSTITUTE FOR HOUSE
BILL NO. 2230**

As Amended by Senate Committee of the Whole

Brief*

Sub. for HB 2230, as amended, would make a number of changes in property tax law. The bill would authorize a property tax exemption for property located on former federal enclaves, make a change to property tax exemption procedure for certain types of property, and clarify the application of an exemption for certain qualifying pipeline property.

Property Tax Exemption

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.

Property Tax Exemption Procedure

The bill would also expand a list of certain types of tax-exempt property for which owners are not required to seek approval from the State Board of Tax Appeals (SBOTA) to include property acquired by a land bank, recreational

*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>

vehicles owned by full-time members of the military, and most property belonging to the federal government (other than any such federal property otherwise expressly declared by Congress to be subject to state and local taxation).

Pipeline Property Tax Exemption

An additional provision would stipulate a property tax exemption for certain qualifying pipelines would not be applicable unless owners have filed an exemption request within two years of the date construction has commenced. This restriction would apply to all requests for exemptions filed after June 30, 2017.

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

Background

On May 3, the Senate Committee on Assessment and Taxation added the provisions of HB 2228, as amended by the House Committee on Taxation, to those of Sub. for HB 2230. The background for both bills is provided below. On May 25, the Senate Committee of the Whole added the provision relating to application for the pipeline property tax exemption.

HB 2230

In the House Committee on Taxation hearing on March 6, proponents, including Representative Proehl and a representative of the Great Plains Development Authority, of HB 2230, as introduced, stated federal enclaves that had housed former ammunition plants were now being developed. They further explained the property had to be leased to businesses for use (rather than sold) because of ongoing concerns over future environmental obligations and that leased property generally is not eligible for locally granted property tax exemptions. No other testimony was provided.

The original bill would have authorized counties to grant the exemption. Proponents worked with the Department of Revenue in developing the substitute bill, which narrows the types of businesses eligible for the exemption to those referenced in the economic development exemption section of the *Kansas Constitution* (Article 11, Section 13) and clarifies the request for exemption could be filed only after a resolution has been adopted by a county commission. The House Committee agreed to the changes and subsequently agreed to insert the amended contents into a substitute bill.

The Office of Revisor of Statutes stated the Department of Revenue had indicated the new exemption authority would apply in two counties, Labette and Johnson.

The fiscal note prepared by the Division of the Budget on HB 2230, as introduced, indicates that, while enactment of the bill would have the potential to reduce property tax collections from the State's 21.5-mill levy, the Department of Revenue did not have adequate data to estimate the amount.

HB 2228

HB 2228, as introduced, which contained the repeal of SBOTA filing requirements for land-bank property and certain recreational vehicles owned by members of the military, was supported during the public hearing by a representative of the Kansas County Treasurers Association.

On March 6, the House Committee on Taxation amended the bill to incorporate an additional exemption from SBOTA filing requirements regarding certain federal property that had already been approved by the Senate as part of 2017 SB 29.

Neither HB 2228, as introduced, nor the amended version would have any fiscal impact for the state or local units.