

SESSION OF 2021

SUPPLEMENTAL NOTE ON SENATE BILL NO. 13

As Amended by House Committee of the Whole

Brief*

SB 13, as amended, would repeal the property tax lid law applicable to cities and counties and certain budget requirements applicable to other municipalities, establish notice and public hearing requirements for certain taxing subdivisions seeking to collect property taxes in excess of the subdivision's revenue-neutral rate, prohibit valuation increases resulting solely from normal maintenance of existing structures, and expand the allowed acceptance of partial payments or payment plans for property taxes.

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

Tax Lid Repeal

The bill would eliminate, effective January 1, 2021, the property tax lid that currently requires a public vote for certain property tax increases by cities and counties. The bill would also eliminate a requirement that municipalities, other than cities and counties, that levy at least \$1,000 in property taxes not approve any budget that includes revenue produced by property taxes in excess of the amount produced the preceding year without first publishing notice in the official county newspaper where the municipality is located of the budget and the scheduled vote thereon.

*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>

Notice and Public Hearing Requirements

The bill would establish new notification and public hearing requirements for all taxing subdivisions seeking to increase property taxes above those provided for by their “revenue-neutral rate.” A taxing subdivision would be prohibited from levying taxes exceeding its revenue-neutral rate without first approving a resolution or ordinance in accordance with the procedure provided by the bill.

The bill would require county clerks to notify taxing subdivisions of their revenue-neutral rate by June 15. “Revenue-neutral rate” would mean the tax rate for the current tax year that would generate the same amount of property tax revenue as levied the previous tax year, using the current tax year’s total assessed valuation.

Governing bodies of taxing subdivisions would be required to publish notice of their intent to exceed the revenue-neutral rate. The bill would require the notice to include the date, time, and location of a public hearing on the resolution or ordinance providing for the levy. The bill would require publication on such governing body’s website at least ten days in advance of the hearing and in a weekly or daily newspaper have general circulation within the county. Taxing subdivisions would be required to notify county clerks by July 15 of their intent to exceed the revenue-neutral rate, including information concerning the hearing.

Beginning in tax year 2022, county clerks would be required to mail notification of the intent of the taxing subdivision to each taxpayer with property within the taxing subdivision at least ten days in advance of the public hearing. County clerks would be required to consolidate the information for all taxing subdivisions relevant to each piece of property on one notice. Notifications could be sent by electronic means with the consent of the taxpayer.

The bill would create the Taxpayer Notification Costs Fund in the State Treasury and provide, for calendar years

2022 and 2023, for any printing and postage costs incurred by county clerks to be reimbursed by that fund. County clerks would be required to notify the Secretary of Revenue of such costs, and the Secretary would certify such amounts to the Director of Accounts and Reports, who would then be required to transfer an equal amount of money from the State General Fund to the Taxpayer Notification Costs Fund.

Any printing and postage costs incurred by county clerks for required notices that are not reimbursed from the Taxpayer Notification Costs Fund would be borne by the taxing subdivisions proposing to exceed their revenue-neutral rates in proportion to the total property tax levied by the subdivisions.

The bill would require the notifications to contain:

- The revenue-neutral rate for each relevant taxing subdivision;
- The proposed tax rate and amount of tax revenue to be levied by each taxing subdivision seeking to exceed its revenue-neutral rate;
- The tax rate and amount of tax from each taxing subdivision for the property from the previous year's tax statement;
- The appraised value and assessed value for the taxpayer's property for the current year;
- The estimated amount of tax for the current year for each subdivision based on the revenue-neutral rate and any tax rate in excess of the revenue-neutral rate and the difference between such amounts for any taxing subdivision seeking to exceed its revenue-neutral rate;

- The date, time, and location of the public hearing for each taxing subdivision seeking to exceed its revenue-neutral rate; and
- Information concerning statutory mill levies imposed by the State of Kansas.

The bill would require the hearing on the resolution or ordinance providing for a taxing subdivision to exceed its revenue-neutral rate to be held by September 10 and to include an opportunity for interested taxpayers to present testimony within reasonable limits and without unreasonable restrictions on the number of individuals allowed to comment. The governing body of each taxing subdivision would be required to approve exceeding the revenue neutral rate by a majority vote at the public hearing.

Taxing subdivisions failing to comply with the notice and hearing procedures would be required to refund any property taxes collected in excess of the revenue-neutral rate.

Information regarding the revenue-neutral rate and taxing subdivision's decision to levy taxes in excess of the rate would also be required to be published in the taxing subdivision's annual budget form prescribed by the Division of Accounts and Reports within the State Department of Administration.

Prohibited Valuation Increases

The bill would prohibit an increase in the appraised value of real property solely as a result of normal repair, replacement, or maintenance of existing structures, equipment, or other improvements on the property.

Partial Payments and Payment Plans

The bill would authorize county treasurers to accept partial payments and establish payment plans for all property taxes. Current law allows treasurers to accept partial payments for delinquent property taxes.

Background

The bill was introduced by Senators Tyson, Alley, Baumgardner, Erickson, Fagg, Hilderbrand, Kerschen, Longbine, Peck, Steffen, Thompson, and Warren.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing on January 12, 2021, representatives of the Kansas Chamber of Commerce, Kansas Policy Institute, and National Federation of Independent Business-Kansas testified as **proponents**, stating the bill's provisions would improve property tax transparency and clarity.

A representative of the League of Kansas Municipalities offered neutral testimony, specifically recommending amendments clarifying portions of the bill and adjusting deadlines within the bill.

A representative of the Sierra Club offered testimony in **opposition** to the bill, stating opposition to the time frame between the hearing on the bill and the notice of the public hearing for the bill.

Written-only **proponent** testimony was provided by representatives of the Kansas Association of Realtors and Americans for Prosperity Kansas. Written-only testimony in support of the bill with certain suggested amendments was provided by a representative of Sedgwick County.

A representative of the City of Topeka provided neutral written-only testimony with suggested amendments.

The Senate Committee amended the bill to clarify that the costs to be borne by taxing subdivisions for the notices were limited to printing and mailing costs.

House Committee on Taxation

In the House Committee hearing on January 26, 2021, **proponent** testimony was offered by Senator Tyson and representatives of the Kansas Association of Realtors, the Kansas Chamber of Commerce, the Kansas Health and Fitness Association, the Kansas Policy Institute, the National Federation of Independent Business, the Sedgwick County Board of County Commissioners, and the Wichita Regional Chamber of Commerce. Proponents generally stated the provisions of the bill would provide important property tax transparency and would be a better approach than the current property tax lid. Written-only **proponent** testimony was provided by representatives of Americans for Prosperity-Kansas, the Kansas Association of Wheat Growers, and the Kansas Farm Bureau.

Opponent testimony was provided by a representative of the Central Kansas Library System, who stated that the provisions of the bill could not neatly be applied to library systems. Written-only **opponent** testimony was provided by a representative of the City of Haysville.

Neutral testimony on the bill was provided by representatives of the Kansas Association of Counties, the City of Ottawa, the Kansas County Clerks and Election Officials Association, and the League of Kansas Municipalities. Written-only neutral testimony was provided by representatives of numerous municipalities.

The House Committee amended the bill to provide for publication notice and a one-year delay to the mailing

notification requirements, to exclude municipal universities and municipalities levying less than \$100,000 of property taxes, to provide for cost sharing in proportion to the amount of property taxes levied by taxing subdivisions, to require the inclusion of the revenue-neutral rate information on annual budget forms, and to provide for the repeal of certain budget publication requirements for municipalities other than cities and counties.

House Committee of the Whole

The House Committee of the Whole amended the bill to eliminate exemptions from the notice and public hearing requirements for certain taxing subdivisions and to provide for state reimbursement of printing and postage costs incurred in calendar years 2022 and 2023.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill as introduced, the provisions of the bill would have no fiscal effect on state revenues and the costs for the State to implement the bill would be negligible and could be absorbed within existing state resources. The Kansas Association of Counties and League of Kansas Municipalities indicate the notice and hearing provisions of the bill would require substantial administrative costs for local governments to implement.

An estimate of the fiscal effect on the State General Fund for transfers to the Taxpayer Notification Costs Fund, as provided by the House Committee of the Whole, was not immediately available.

Taxation; property tax