

HOUSE BILL No. 2786

By Committee on Taxation

2-6

AN ACT relating to property taxation; concerning exemptions therefrom for community housing development organizations; amending K.S.A. 2001 Supp. 79-201b and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 2001 Supp. 79-201b is hereby amended to read as follows: 79-201b. The following described property, to the extent herein specified, shall be and is hereby exempt from all property or ad valorem taxes levied under the laws of the state of Kansas:

First. All real property, and tangible personal property, actually and regularly used exclusively for hospital purposes by a hospital as the same is defined by K.S.A. 65-425, and amendments thereto, or a psychiatric hospital as the same was defined by K.S.A. 59-2902, and amendments thereto, as in effect on January 1, 1976, which hospital or psychiatric hospital is operated by a corporation organized not for profit under the laws of the state of Kansas or by a corporation organized not for profit under the laws of another state and duly admitted to engage in business in this state as a foreign, not-for-profit corporation, or a public hospital authority; and all intangible property including moneys, notes and other evidences of debt, and the income therefrom, belonging exclusively to such a corporation and used exclusively for hospital, psychiatric hospital or public hospital authority purposes. This exemption shall not be deemed inapplicable to property which would otherwise be exempt pursuant to this paragraph because any such hospital, psychiatric hospital or public hospital authority: (a) Uses such property for a nonexempt purpose which is minimal in scope and insubstantial in nature if such use is incidental to the exempt purpose enumerated in this paragraph; or (b) is reimbursed for the actual expense of using such property for the exempt purposes enumerated in this paragraph or paragraph second of K.S.A. 79-201, and amendments thereto; or (c) permits the use of such property for the exempt purposes enumerated in this paragraph or paragraph second of K.S.A. 79-201, and amendments thereto, by more than one agency or organization for one or more of such purposes.

Second. All real property, and tangible personal property, actually and regularly used exclusively for adult care home purposes by an adult care

1 home as the same is defined by K.S.A. 39-923, and amendments thereto,
2 which is operated by a corporation organized not for profit under the laws
3 of the state of Kansas or by a corporation organized not for profit under
4 the laws of another state and duly admitted to engage in business in this
5 state as a foreign, not-for-profit corporation, charges to residents for serv-
6 ices of which produce an amount which in the aggregate is less than the
7 actual cost of operation of the home or the services of which are provided
8 to residents at the lowest feasible cost, taking into consideration such
9 items as reasonable depreciation, interest on indebtedness, acquisition
10 costs, interest and other expenses of financing acquisition costs, lease
11 expenses and costs of services provided by a parent corporation at its costs
12 and contributions to which are deductible under the Kansas income tax
13 act; and all intangible property including moneys, notes and other evi-
14 dences of debt, and the income therefrom, belonging exclusively to such
15 corporation and used exclusively for adult care home purposes. For pur-
16 poses of this paragraph and for all taxable years commencing after De-
17 cember 31, 1976, an adult care home which uses its property in a manner
18 which is consistent with the federal internal revenue service ruling 72-
19 124 issued pursuant to section 501(c)(3) of the federal internal revenue
20 code, shall be deemed to be operating at the lowest feasible cost. The
21 fact that real property or real or tangible personal property may be leased
22 from a not-for-profit corporation, which is exempt from federal income
23 taxation pursuant to section 501(c)(3) of the internal revenue code of
24 1986, and amendments thereto, and which is the parent corporation to
25 the not-for-profit operator of an adult care home, shall not be grounds to
26 deny exemption or deny that such property is actually and regularly used
27 exclusively for adult care home purposes by an adult care home, nor shall
28 the terms of any such lease be grounds for any such denial. For all taxable
29 years commencing after December 31, 1995, such property shall be
30 deemed to be used exclusively for adult care home purposes when used
31 as a not-for-profit day care center for children which is licensed pursuant
32 to K.S.A. 65-501 *et seq.*, and amendments thereto.

33 *Third.* All real property, and tangible personal property, actually and
34 regularly used exclusively for private children's home purposes by a pri-
35 vate children's home as the same is defined by K.S.A. 75-3329, and
36 amendments thereto, which is operated by a corporation organized not
37 for profit under the laws of the state of Kansas or by a corporation or-
38 ganized not for profit under the laws of another state and duly admitted
39 to engage in business in this state as a foreign, not-for-profit corporation,
40 charges to residents for services of which produce an amount which in
41 the aggregate is less than the actual cost of operation of the home or the
42 services of which are provided to residents at the lowest feasible cost,
43 taking into consideration such items as reasonable depreciation and in-

1 terest on indebtedness, and contributions to which are deductible under
2 the Kansas income tax act; and all intangible property including moneys,
3 notes and other evidences of debt, and the income therefrom, belonging
4 exclusively to such a corporation and used exclusively for children's home
5 purposes.

6 *Fourth.* All real property and tangible personal property, actually and
7 regularly used exclusively for housing for elderly and handicapped persons
8 having a limited or lower income, or used exclusively for cooperative
9 housing for persons having a limited or low income, ~~assistance for the~~
10 ~~financing of which was received under 12 U.S.C.A. 1701 et seq., or under~~
11 ~~42 U.S.C.A. 1437 et seq.,~~ which is operated by a corporation organized
12 not for profit under the laws of the state of Kansas or by a corporation
13 organized not for profit under the laws of another state and duly admitted
14 to engage in business in this state as a foreign, not-for-profit corporation,
15 *in which charges to residents produce an amount which in the aggregate*
16 *is less than the actual cost of operation of the housing facility or the*
17 *services of which are provided to residents at the lowest feasible cost,*
18 *taking into consideration such terms as reasonable depreciation and in-*
19 *terest on indebtedness;* and all intangible property including moneys,
20 notes and other evidences of debt, and the income therefrom, belonging
21 exclusively to such a corporation and used exclusively for the purposes of
22 such housing. For the purposes of this subsection, cooperative housing
23 shall mean those not-for-profit cooperative housing projects operating
24 pursuant to sections 236 or 221(d)(3), or both, of the national housing act
25 and which have been approved as a cooperative housing project pursuant
26 to applicable federal housing administration and U.S. Department of
27 Housing and Urban Development statutes, and rules and regulations,
28 during such time as the use of such properties are restricted pursuant to
29 such act, statutes or rules and regulations.

30 *Fifth.* All real property and tangible personal property, actually and
31 regularly used exclusively for housing for elderly persons, which is oper-
32 ated by a corporation organized not for profit under the laws of the state
33 of Kansas or by a corporation organized not for profit under the laws of
34 another state and duly admitted to engage in business in this state as a
35 foreign, not-for-profit corporation, in which charges to residents produce
36 an amount which in the aggregate is less than the actual cost of operation
37 of the housing facility or the services of which are provided to residents
38 at the lowest feasible cost, taking into consideration such items as rea-
39 sonable depreciation and interest on indebtedness and contributions to
40 which are deductible under the Kansas income tax act; and all intangible
41 property including moneys, notes and other evidences of debt, and the
42 income therefrom, belonging exclusively to such corporation and used
43 exclusively for the purpose of such housing. For purposes of this para-

1 graph and for all taxable years commencing after December 31, 1976, an
2 adult care home which uses its property in a manner which is consistent
3 with the federal internal revenue service ruling 72-124 issued pursuant
4 to section 501(c)(3) of the federal internal revenue code, shall be deemed
5 to be operating at the lowest feasible cost. For all taxable years com-
6 mencing after December 31, 1995, such property shall be deemed to be
7 used exclusively for housing for elderly persons purposes when used as a
8 not-for-profit day care center for children which is licensed pursuant to
9 K.S.A. 65-501 *et seq.*, and amendments thereto.

10 *Sixth.* All real property and tangible personal property actually and
11 regularly used exclusively for the purpose of group housing of mentally
12 ill or retarded and other handicapped persons which is operated by a
13 corporation organized not for profit under the laws of the state of Kansas
14 or by a corporation organized not for profit under the laws of another
15 state and duly admitted to engage in business in this state as a foreign,
16 not-for-profit corporation, in which charges to residents produce an
17 amount which in the aggregate is less than the actual cost of operation of
18 the housing facility or the services of which are provided to residents at
19 the lowest feasible cost, taking into consideration such items as reasonable
20 depreciation and interest on indebtedness and contributions to which are
21 deductible under the Kansas income tax act, and which is licensed as a
22 facility for the housing of mentally ill or retarded and other handicapped
23 persons under the provisions of K.S.A. 75-3307b, and amendments
24 thereto, or as a rooming or boarding house used as a facility for the
25 housing of mentally retarded and other handicapped persons which is
26 licensed as a lodging establishment under the provisions of K.S.A. 36-501
27 *et seq.*, and amendments thereto.

28 The provisions of this section, except as otherwise specifically provided,
29 shall apply to all taxable years commencing after December 31, ~~1998~~
30 *2001*.

31 Sec. 2. K.S.A. 2001 Supp. 79-201b is hereby repealed.

32 Sec. 3. This act shall take effect and be in force from and after its
33 publication in the statute book.

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