

HOUSE BILL No. 2451

By Committee on Taxation

3-20

AN ACT concerning property taxation; relating to exemptions; amending K.S.A. 2002 Supp. 79-201b and repealing the existing section.

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

Section 1. K.S.A. 2002 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 home as the same is defined by K.S.A. 39-923, and amendments thereto,

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

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

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

5 *Fourth.* All real property and tangible personal property, actually and
6 regularly used exclusively for housing for elderly and handicapped persons
7 having a limited or lower income, or used exclusively for cooperative
8 housing for persons having a limited or low income, assistance for the
9 financing of which was received under 12 U.S.C.A. 1701 *et seq.*, or under
10 42 U.S.C.A. 1437 *et seq.*, which is operated by a corporation organized
11 not for profit under the laws of the state of Kansas or by a corporation
12 organized not for profit under the laws of another state and duly admitted
13 to engage in business in this state as a foreign, not-for-profit corporation;
14 and all intangible property including moneys, notes and other evidences
15 of debt, and the income therefrom, belonging exclusively to such a corporation
16 and used exclusively for the purposes of such housing. For the
17 purposes of this subsection, cooperative housing shall mean: (1) Those
18 not-for-profit cooperative housing projects operating pursuant to sections
19 236 or 221(d)(3), or both, of the national housing act and which have
20 been approved as a cooperative housing project pursuant to applicable
21 federal housing administration and U.S. Department of Housing and Urban
22 Development statutes, and rules and regulations, during such time
23 as the use of such properties are restricted pursuant to such act, statutes
24 or rules and regulations; or (2) *those not-for-profit cooperative housing*
25 *projects which have met all of the requirements of this paragraph when*
26 *such housing projects were established and have adopted articles of in-*
27 *corporation or by laws, or both, requiring such corporation to operate in*
28 *compliance with all statutes, rules and regulations of the U.S. Department*
29 *of Housing and Urban Development pursuant to sections 236 or 221(d)(3)*
30 *of the national housing act as applicable to such project at the time such*
31 *project was established.*

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

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

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

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

32 Sec. 2. K.S.A. 2002 Supp. 79-201b is hereby repealed.

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

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