

SESSION OF 2007

**SUPPLEMENTAL NOTE ON
SUBSTITUTE FOR HOUSE BILL NO. 2430**

As Recommended by House Committee on
Taxation

Brief*

Sub. for HB 2430 would make a number of changes in the Homestead Property Tax Refund Act, effective for tax year 2007.

The maximum refund available under the program would be increased from the current \$600 to \$750.

The statutory assumption that renters' effective property tax burden is equivalent to 20 percent of their total rent also would be reduced to 15 percent. Additional language would require the Department of Revenue to deny claims from renters reporting household income of 150 percent or less of the homestead rental amount who also fail to provide certain supporting information.

All Social Security benefits would be excluded from the definition of income for the purposes of qualifying for the program. (Under current law, only Social Security disability benefits are excluded from income.)

A new residential valuation ceiling also would prohibit any homeowner with a residence valued at \$350,000 or more from participating in the program.

A long-standing prohibition against persons with delinquent homestead property taxes participating in the program would be repealed and would be replaced with language that would automatically pay any refunds for such

*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>

persons to county treasurers for application first to any such delinquent taxes; and subsequently to any other homestead taxes currently due.

All claimants in the future would be required to submit a copy of their property tax statements only when requested to do so by the Division of Taxation.

Finally, the entire program would sunset on June 30, 2012.

Background

The latest fiscal information available from the Department of Revenue indicated that these changes would combine to expand the program by an additional \$22.1 million for tax year 2007.

The current Kansas program requires participants to meet both an income and a demographic test to be eligible for property tax refunds. The former test requires that household income be not more than \$28,000; the latter requires that at least one person in the household be: (1) age 55 or above; (2) a dependent under age 18; (3) blind; or (4) otherwise disabled.

The program was recently expanded in 2006 HB 2583, a bill which also provided a property tax exemption for most new acquisitions of commercial and industrial machinery and equipment. The Department of Revenue reports that during calendar year 2005, it processed and paid 76,097 Homestead claims totaling \$17.119 million, or an average of about \$225 per refund. The 2006 amendments expanding the program were anticipated to increase its size by \$3.5 million, to about \$20.6 million per year. HB 2430 would be expected to increase the total size of the program to about \$42.7 million.

The original bill would have expanded the Homestead program based on a series of recommendations suggested by AARP, including increasing the maximum refund amount to \$800.

The House Committee recommended that the bill's original provisions be removed and that a substitute bill be created; that certain provisions of SB 26 and SB 27, which were recommended by the Special Committee on Assessment and Taxation as part of an interim study, be inserted; that the maximum refund amount be set at \$750; that Social Security benefits be excluded from the definition of income; that the residential valuation ceiling be included; that the sunset provision be included; and that the relaxation in the delinquency prohibition be included.