

SESSION OF 2008

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2543**

As Recommended by House Committee on  
Taxation

**Brief\***

Sub. HB 2543 would make a number of changes in the property tax treatment of certain residential real property, which under current law is assessed based on its fair market value as of January 1.

Effective for tax year 2009, newly constructed buildings or other structures on real property intended for residential uses which are single family or multi-family unit of four units or less would be construed to be the inventory of the builders and exempt from property taxes until the sooner of (a) January 1 of the second year following the year in which construction was completed; or (b) the conveyance, lease or occupancy for residential or office purposes.

Any such parcel of real property would be assessed and taxed based on its full valuation as of the first day of the month following the date of occupancy for the proportionate part of the remaining tax year.

County appraisers could construe property to be occupied when any two of the following conditions have been met:

- An occupancy permit has been issued;
- A deed transferring ownership has been filed with the register of deeds subsequent to the date of first permanent utility service;

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\*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>

- A utility company has verified a transfer of service; or
- Persons occupying the property have registered a change of address with any governmental office or agency.

Utility companies would be required to provide monthly verifications of utility connections to county appraisers.

### **Background**

The original bill was introduced in 2007 and requested for interim study. The Special Committee on Assessment and Taxation noted that it embraced the "concepts embodied in HB 2543" and encouraged proponents to keep working on the legislation in 2008, pending an Attorney General's opinion regarding constitutionality. The Attorney General on November 30 subsequently opined that the bill as introduced in 2007 was unconstitutional (Attorney General Opinion No. 2007-38).

Proponents, who included the Home Builders' Association of Greater Kansas City, then recommended a number of changes designed to finesse the Attorney General's concerns. The House Taxation Committee adopted many of those new recommendations and asked that a substitute bill be created.

Since certain parcels of real estate would experience a decrease in property tax liability relative to current law and others would incur an increase, the fiscal impact to the state and local units is unknown.