

SESSION OF 2008

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2750

As Amended by Senate Committee of the Whole

Brief*

HB 2750 would clarify the existing property tax law to provide that certain real and personal property leased and used for research and development at a postsecondary educational institution would retain exempt status; would provide a property tax exemption for certain personal property; and would expand on an exemption for certain property used for housing elderly, disabled, and low-income persons.

A final provision would provide a sales tax exemption for certain sales and purchases of the Downing Concert Series for the purpose of holding an annual concert to benefit needy children.

**Research and Development Property
at Certain Educational Institutions**

This bill would:

- Provide an exemption for real and personal property that is owned by postsecondary educational institutions or by the board of regents on behalf of the postsecondary educational institutions.
- Provide an exemption when the postsecondary educational institution's property is leased by a for profit company and is actually and regularly used exclusively for research and development purposes.

*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>

- Require that any rental income received by the postsecondary educational institution would be used exclusively for educational or scientific purposes.
- Place a 5-year limit on the duration of the lease or occupancy of the postsecondary educational institution's property.

Exemption for “All Other” Personalty

The bill also would provide a property tax exemption, effective in tax year 2009, for certain property classified as “all other tangible personal property” which has a purchase price of \$1,500 or less. An additional provision would clarify that taxpayers would not be required to file for the exemption at the State Board of Tax Appeals (SBOTA).

Exemption for Elderly, Disabled, and Low-Income Housing

The bill also would expand, retroactive to tax year 2005, a property tax exemption for certain property used for housing elderly, disabled, or low-income persons. While current law generally authorizes the exemption for property owned and operated by not-for-profit community housing development organizations, the bill also would authorize the exemption when the property is owned and operated by certain limited partnerships, limited liability companies, or corporations formed to develop low-income housing. Low-income housing would be specifically defined to mean “housing for persons with income at or below 80 percent of area median income.”

To qualify for the exemption, the development organization also would be required to utilize certain federal income tax credits, the home investment partnership program, or other funding sources available for low-income housing. The sole general partner, sole managing member, or the corporation itself further would be required to be a not-for-profit organization recognized as “charitable” by the Internal Revenue Service.

Background

Representative Tom Holland and Dr. Steve Warren, Vice Provost for Research and Graduate Studies at the University of Kansas, spoke in favor of the bill in its original form. The property covered by this bill currently is exempt from property tax; however, concerns have been raised as to whether or not this exempt status could be maintained when this property was used for research and development by members of the postsecondary educational institution when that work was sponsored by private firms or start-up corporations. This bill is an attempt to maintain the property tax exemption while providing a place for research and development to get started.

As originally drafted the bill dealt only with the subject matter of the research and development property and applied to state educational institutions. It was amended to include postsecondary educational institutions as used in KSA 2007 Supp. 74-3201b to have a broader application. This definition includes any public university, municipal university, community college, technical college and vocational education school. Any entity resulting from the consolidation or affiliation of any two or more such postsecondary educational institutions also is included in the definition.

The Senate Assessment and Taxation Committee amended the bill on March 19, 2008, to incorporate the provisions of SB 444 and SB 383.

The Senate Committee of the Whole added the sales tax exemption for the Downing Concert Series.

The original fiscal note for HB 2750 was that it would have no impact or produce any further cost to the state because the property it exempts is not currently subject to property tax. The Department of Revenue stated that the bill as amended would not change the original fiscal note.

The fiscal note to the state relative to the retroactive expansion of the housing exemption is unknown. The fiscal

note relative to the exemption of certain personalty valued at \$1,500 or less would be expected to reduce school district local effort attributable to the 20-mill general fund levy by \$294,880; and receipts for state building funds by \$22,116.

The sales tax exemption would be expected to reduce receipts by \$0.075 million in FY 2009.