

SESSION OF 2023

SUPPLEMENTAL NOTE ON SENATE BILL NO. 311

As Recommended by Senate Committee on
Assessment and Taxation

Brief*

SB 311 would prohibit the sale price at which a property sells in an Internal Revenue Code Section 1031 exchange (1031 exchange) from being considered an indicator of fair market value or used in arriving at fair market value for property tax purposes. The bill would exclude 1031 exchanges from being considered valid sales for purposes of the sales ratio study used for measuring tax appraisal accuracy.

Background

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Tyson.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by a private citizen, who generally stated the federal income tax consequences of the sales and the lease terms of the property result in the sales price not reflecting fair market value of the property.

The Secretary of Revenue responded to questions concerning 1031 exchanges.

No other testimony was provided.

*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>

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, the Department of Revenue indicates the bill would have no fiscal effect. The Kansas Association of Counties indicates the bill could reduce assessed valuation of properties by an indeterminate amount. Any fiscal effect associated with the bill is not reflected in *The FY 2024 Governor's Budget Report*.

Taxation; property tax; 1031 exchanges