

SENATE BILL No. 488

By Committee on Federal and State Affairs

2-5

1 AN ACT concerning taxation; enacting the Kansas property tax freedom
2 act of 2026; providing for the phased elimination of property taxation;
3 maintaining existing payments in lieu of taxes for renewable energy
4 facilities; providing revenue replacement grants to taxing subdivisions;
5 establishing the Kansas fair share purchase surcharge and the property
6 tax freedom reserve fund; providing for the distribution of Kansas fair
7 share purchase surcharge revenue to school districts, counties, cities,
8 townships and other taxing subdivisions, the state general fund and the
9 property tax freedom reserve fund; providing for a voter-approved local
10 add-on fair share purchase surcharge for debt service of general
11 obligation bonds; providing for freedom dividend rebates.
12

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

14 Section 1. (a) Sections 1 through 8, and amendments thereto, shall be
15 known and may be cited as the Kansas property tax freedom act of 2026.

16 (b) If a proposition to amend section 1 of article 11 of the constitution
17 of the state of Kansas to prohibit the levy of any property taxes, except for
18 taxable years 2026 and 2027 as provided by law for any phased
19 elimination of property taxes, is approved by the electors of this state at
20 the general election held in November 2026 or at a special election at a
21 sooner date, the secretary of state shall certify the result of the election and
22 cause a notice of such certification to be published in the Kansas register.
23 The provisions of this act shall not become law if such proposition is not
24 approved by the electors of this state.

25 Sec. 2. For the purposes of this act:

26 (a) "Act" means the Kansas property tax freedom act of 2026.
27 (b) "Director of taxation" means the director of taxation pursuant to
28 K.S.A. 75-5102, and amendments thereto.

29 (c) "Kansas fair share purchase surcharge" means the transaction-
30 based surcharge imposed by section 4, and amendments thereto.

31 (d) "Municipality" means any county, city, township, municipal
32 university, school district and any other political subdivision of the state.

33 (e) "Retail purchase" means the sale of tangible personal property or
34 taxable services to a final consumer for any purpose other than resale in
35 the regular course of business, including purchases shipped to a Kansas
36 address.

1 (f) "Taxable services" means services that are subject to the Kansas
2 retailers' sales tax pursuant to K.S.A. 79-3603, and amendments thereto.

3 (g) "Taxing subdivision" means any county, city, township, municipal
4 university, school district and any other taxing district or subdivision of the
5 state levying property taxes prior to January 1, 2028.

6 Sec. 3. *Elimination of property taxes.* (a) Notwithstanding any
7 provisions of law to the contrary:

8 (1) For tax year 2026, no taxing subdivision shall certify a mill levy
9 that exceeds 50% of the mill levy certified by such taxing subdivision for
10 tax year 2025;

11 (2) for tax year 2027, no taxing subdivision shall certify a mill levy
12 that exceeds 25% of the mill levy certified by such subdivision for tax year
13 2025; and

14 (3) for tax year 2028 and all tax years thereafter, the levy of any
15 property tax on real property or personal property is prohibited.

16 (b) The secretary of revenue shall calculate the loss of property tax
17 revenue caused by the levy limitations provided in subsection (a)(1) and
18 (2), including full debt service on existing general obligation bonds, for
19 each taxing subdivision and provide a certification of such amounts to the
20 state treasurer. Subject to the availability of funds in the property tax
21 freedom reserve fund, the state treasurer shall provide revenue
22 replacement grants from the property tax freedom reserve fund to each
23 taxing subdivision in an amount equal to the loss of property tax revenue
24 caused by the levy limitations provided in subsection (a)(1) and (2),
25 including full debt service on existing general obligation bonds, of each
26 taxing subdivision as certified by the secretary of revenue. Once funds
27 become available in the property tax freedom reserve fund, such revenue
28 replacement grants shall be made at least quarterly and may be made in
29 installments as funds become available in the property tax freedom reserve
30 fund.

31 Sec. 4. *Kansas fair share purchase surcharge imposed.* (a) Beginning
32 on January 1, 2027, in addition to all other taxes, there is hereby imposed a
33 surcharge on every retail purchase in this state as follows:

34 (1) If the purchase price is \$20.00 or more, a flat surcharge of \$1.60
35 per transaction.

36 (2) If the purchase price is less than \$20.00, a surcharge of 7.6% of
37 the purchase price.

38 (b) The surcharge shall be paid by the consumer or purchaser,
39 collected by the retailer at the point of sale and remitted to the department
40 of revenue in the same manner as the Kansas retailers' sales tax and
41 Kansas compensating tax.

42 (c) All moneys collected under the provisions of this section shall be
43 remitted by the director of taxation to the state treasurer in accordance

1 with the provisions of K.S.A. 75-4215, and amendments thereto. Upon
2 receipt of each such remittance, the state treasurer shall deposit the entire
3 amount in the state treasury to the credit of the Kansas fair share purchase
4 surcharge fund, which fund is hereby established in the state treasury. All
5 moneys credited to the Kansas fair share purchase surcharge fund shall be
6 apportioned and distributed in the manner provided in section 8, and
7 amendments thereto. Any refund due on any surcharge collected pursuant
8 to this section shall be paid out of the Kansas fair share purchase surcharge
9 refund fund, which is hereby established in the state treasury, and
10 reimbursed by the director of taxation from collections of the surcharge
11 authorized by this section.

12 (d) The surcharge imposed pursuant to this section shall be in
13 addition to any applicable state or local sales and compensating use taxes
14 and state excise taxes. The retailers' sales tax exemption of K.S.A. 79-
15 3606(a), and amendments thereto, shall not be implicated by the
16 imposition of the surcharge pursuant to this section.

17 Sec. 5. *Exemptions from the Kansas fair share purchase surcharge.*
18 (a) The surcharge imposed by section 4, and amendments thereto, and any
19 local add-on surcharge pursuant to section 7, and amendments thereto,
20 shall not apply to retail purchases of the following:

21 (1) Grocery food or food ingredients eligible under the federal
22 supplemental nutrition assistance program (SNAP);
23 (2) prescription drugs and medical devices;
24 (3) motor fuel subject to tax under article 34 of chapter 79 of the
25 Kansas Statutes Annotated, and amendments thereto;
26 (4) residential rent or mortgage payments;
27 (5) utility services of electricity, natural gas, water, sewer and trash
28 removal;
29 (6) child care services and K-12 tuition; and
30 (7) property purchased for resale or as component parts in the regular
31 course of business.

32 (b) Statutory exemptions from the Kansas retailers' sales tax shall not
33 apply to the Kansas fair share purchase surcharge.

34 Sec. 6. *Protection of renewable energy PILOT agreements.* (a) No
35 provision of this act shall reduce, impair or terminate any existing payment
36 in lieu of taxes (PILOT) agreement entered into by a commercial wind
37 energy facility.

38 (b) Any commercial solar energy facility receiving a property tax
39 exemption shall continue any existing PILOT agreement or make
40 minimum payments during any remaining exemption period in an amount
41 equal to at least 50% of the exempt assessed value multiplied by the tax
42 year 2025 mill levy.

43 (c) All existing renewable energy PILOT obligations remain in full

1 force and effect.

2 Sec. 7. *Local general obligation bonds.* (a) After December 31, 2027,
3 any municipality may issue general obligation bonds for capital
4 improvements only if approved by a majority of the electors of such
5 municipality voting at an election called and held thereon.

6 (b) Debt service on such bonds shall be paid exclusively from:

7 (1) A local add-on surcharge to the Kansas fair share purchase
8 surcharge that is applicable only within the boundaries of the issuing
9 municipality if such local add-on surcharge is approved by a majority of
10 the electors of such municipality voting at an election called and held
11 thereon; or

12 (2) other dedicated local revenue sources such as user fees or special
13 assessments.

14 (c) Elections shall be called and held in the manner provided by
15 K.S.A. 10-120, and amendments thereto.

16 (d) No revenue from the statewide Kansas fair share purchase
17 surcharge imposed pursuant to section 4, and amendments thereto, shall be
18 used for debt service on such bonds issued after December 31, 2027.

19 (e) The department of revenue shall administer the collection and
20 distribution of any voter-approved local add-on surcharge. All moneys
21 collected under the provisions of this section shall be remitted by the
22 director of taxation to the state treasurer in accordance with the provisions
23 of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such
24 remittance, the state treasurer shall deposit the entire amount in the state
25 treasury to the credit of the Kansas local add-on fair share purchase
26 surcharge fund, which fund is hereby established in the state treasury. Any
27 refund due on any surcharge collected pursuant to this section shall be paid
28 out of the Kansas local add-on fair share purchase surcharge refund fund,
29 which is hereby established in the state treasury, and reimbursed by the
30 director of taxation from collections of the surcharge authorized by this
31 section. All moneys in the Kansas local add-on fair share purchase
32 surcharge fund shall be remitted at least quarterly by the state treasurer, on
33 instruction from the director of taxation, to the treasurers of such
34 municipalities that imposed such local add-on surcharge.

35 Sec. 8. *Distribution of surcharge revenue, freedom dividend rebates
36 and surplus use.* (a) The Kansas fair share purchase surcharge revenue
37 pursuant to section 4, and amendments thereto, in the Kansas fair share
38 purchase surcharge fund shall be apportioned and distributed at least
39 quarterly by the state treasurer as follows:

40 (1) 48% to school districts in the same proportions as tax year 2025
41 property tax revenue;

42 (2) 35% to counties, cities, townships and other taxing subdivisions
43 excluding school districts, in the same proportions as tax year 2025

1 property tax revenue;

2 (3) 12% to the state general fund; and

3 (4) 5% to the property tax freedom reserve fund.

4 (b) (1) There is hereby created in the state treasury the property tax
5 freedom reserve fund.

6 (2) The state treasurer is hereby authorized to distribute moneys from
7 the property tax freedom reserve fund for the purposes of revenue
8 replacement grants related to tax years 2026 and 2027 pursuant to section
9 3(b), and amendments thereto, and freedom dividend rebates pursuant to
10 paragraphs (3) and (4).

11 (3) After the distribution of revenue replacement grants pursuant to
12 section 3(b), and amendments thereto, is complete, the state treasurer shall
13 monitor the balance of the property tax freedom reserve fund on December
14 31 of each year and provide notice of such balance to the legislature on or
15 before January 15 of each year. If the balance in the property tax freedom
16 reserve fund exceeds \$500,000,000 on any December 31, the funds
17 exceeding \$500,000,000 shall be rebated to resident individual taxpayers
18 that are subject to Kansas income tax as provided in subsection (d). The
19 rebate shall be known and may be cited as the freedom dividend. The
20 legislature may also provide by law for future reductions in the Kansas fair
21 share purchase surcharge or changes in the apportionment.

22 (4) In the event that there are excess funds over \$500,000,000 in the
23 property tax freedom reserve fund as provided in paragraph (3), there shall
24 be a freedom dividend rebate for qualified Kansas resident individual
25 taxpayers. To qualify for the rebate, a resident individual taxpayer shall
26 have timely filed such taxpayer's Kansas individual income tax return for
27 the most recent tax year as a Kansas resident for the entire tax year. The
28 rebate amount shall be calculated based on the amount of funds exceeding
29 \$500,000,000 in the property tax freedom reserve fund to be rebated
30 divided by the total number of qualified Kansas resident individual
31 taxpayers. For purposes of the rebate, taxpayers who filed a return with a
32 married filing jointly filing status shall be treated as two taxpayers who
33 may qualify for a rebate, so that each person shall receive a rebate. The
34 state treasurer shall consult with the secretary of revenue to verify the list
35 of qualified Kansas resident individual taxpayers.

36 (5) Any other distributions or expenditures from the property tax
37 freedom reserve fund shall be made solely in accordance with statutory
38 authority or appropriation acts of the legislature.

39 Sec. 9. This act shall take effect and be in force from and after the
40 date of publication in the Kansas register of the notice prescribed in
41 section 1 and its publication in the statute book.