

**REVISED**  
*SESSION OF 2026*

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2745**

As Amended by House Committee on Taxation

**Brief\***

HB 2745, as amended, would create a property tax funding limit in cases of successful protest petitions; create a fund to provide payments to taxing jurisdictions not exceeding levels specified by the bill; and repeal the revenue neutral rate notice and hearing requirements for taxing jurisdictions.

The bill would be in effect upon publication in the *Kansas Register*.

***Property Tax Funding Limit***

The bill would limit, in cases of a successful protest petition, the amount of ad valorem property tax revenue used to fund a taxing jurisdiction's budget to no more than 103 percent of the amount from the prior year, excluding allowable increases associated with:

- The addition of jurisdictional territory, change in use of real property, expiration of a property tax abatement, and expiration of a tax increment financing district or similar district;
- The construction of new structures or improvements or the remodeling or renovation of existing structures or improvements, excluding ordinary maintenance and repair; and

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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 <https://klrd.gov/>

- The payment of bonds, temporary notes, no-fund warrants, state infrastructure loans and interest payments not exceeding the amount of taxes levied in support of such payments, and payments made to a public building commission and lease payments but only to the extent such payments were obligations that existed prior to July 1, 2026.

Any taxing jurisdiction adopting a budget to exceed the property tax limit would be required to make its initial adoption by August 15 and complete verification of protest petitions and final adoption by October 1.

The funding limit provisions would not apply to school districts.

### ***Protest Petition***

The bill would provide for the use of a protest petition to contest any taxing jurisdiction budget that provides for funding by property taxes in excess of the funding limit provided for by the bill.

The protest petitions would be required to be maintained by county treasurers upon notification by county clerks that taxing jurisdictions approve a budget resulting in property taxes in excess of the allowed amounts. Protest petitions would be on standard forms provided by the Director of Accounts and Reports.

Qualified voters of a taxing jurisdiction would have 30 days following the date the governing body of a taxing jurisdiction certifies to the county clerk the amount of property tax to be levied to sign a protest petition. If qualified voters totaling at least 10 percent of the votes cast for the office of U.S. President in the most recent general election in the taxing district sign the protest petition, the taxing jurisdiction would be limited to a budget with property taxes from the prior

year, as adjusted for allowable increases, as described above.

If a taxing jurisdiction is required to amend its budget pursuant to a successful protest petition, the governing body of such taxing jurisdiction would be required to certify the amount of property taxes to be levied to the county clerk by October 1.

The protest petition provisions would not apply in years in which no transfer is made from the State General Fund (SGF) to the Property Tax Relief Fund.

### ***Property Tax Relief Fund Transfers and Payments***

The bill would create the Property Tax Relief Fund (Fund). Under the bill, any taxing jurisdiction, excluding school districts, adopting an initial budget financed with property taxes equal to or less than the funding limit established by the bill would receive payments from the Fund.

The bill would provide for \$60.0 million to be transferred to the Fund from the SGF by a demand transfer on or before July 15. The transfer amount would increase by 2 percent per year in future years.

The amount transferred to the Fund would be apportioned across the counties on the basis of 20 percent distributed equally across counties, 40 percent distributed according to county population, and 40 percent distributed according to county assessed valuation.

Each taxing jurisdiction within the county would receive, on or before January 15 following the transfer from the SGF to the Fund, a portion of the county's apportionment based on the amount of the taxing jurisdiction's property taxes levied as a share of the total property taxes levied by all taxing jurisdictions within the county. A taxing jurisdiction meeting the funding limit requirement without attempting to exceed the

limit by subjecting itself to a protest petition would be entitled to receive such payments.

The funds paid to taxing jurisdictions would be required to be used for services, including, but not limited to, roads and bridges, law enforcement, elections, public health and safety, or any other services mandated by law.

Any amounts not paid to taxing jurisdictions by virtue of the taxing jurisdiction adopting or attempting to adopt property taxes in excess of the allowed amount would be deposited in the State Treasury to the credit of the SGF. The State Treasurer would be required to report to the House Committee on Taxation and the Senate Committee on Assessment and Taxation a list of taxing jurisdictions receiving and not receiving payments from the Fund by January 31 of each year.

***Revenue Neutral Rate Repeal and Creation of Property Tax Estimate Notices***

The bill would repeal the revenue neutral rate provisions requiring county clerks to send notices to taxpayers and taxing subdivisions to hold hearings and vote on budgets requiring a greater amount of property tax to be levied than the previous year.

The bill would require county clerks to annually provide each taxpayer within the county a property tax estimate notice containing information on the property's assessed value and taxes, including the property tax limit for each taxing jurisdiction levying a tax on the property expressed in both mills and an estimated amount of property tax for the current year based on the property tax limit.

The bill would also repurpose the Taxpayer Notification Costs Fund, which is currently used to pay county printing and postage expenses associated with revenue neutral rate taxpayer notices, to pay county printing and postage

expenses associated with Property Tax Estimate Notices. The bill would make the transfer from the SGF to the Taxpayer Notification Costs Fund permanent.

## **Background**

The bill was introduced by the House Committee on Taxation at the request of Representative A. Smith.

### ***House Committee on Taxation***

In the House Committee hearing, **proponent** testimony was provided by representatives of the City of Bel Aire, Kansas Action for Children, Kansas Association of School Boards, Kansas Farm Bureau, and Kansas Livestock Association. The proponents generally stated the bill afforded broad-based property tax relief without unduly burdening taxing entities.

**Opponent** testimony was provided by representatives of the League of Kansas Municipalities, Kansas Municipal Utilities, and the cities of Derby, Dodge City, El Dorado, Merriam, Mission, Overland Park, Prairie Village, Roeland Park, Seneca, Topeka, and Westwood Hills. The opponents generally stated the bill would destabilize municipal finance and impose administrative burdens on local governments without addressing underlying causes of rising property taxes.

Written-only opponent testimony was provided by representatives of Columbia Capital, Kansas Association of Chiefs of Police, Kansas State Association of Fire Chiefs, McPherson Police Department, Reno County Board of County Commissioners, Southwest Kansas Coalition, and the cities of Abilene, Andover, Arkansas City, Augusta, Basehor, Bonner Springs, Caldwell, Clay Center, Colby, Columbus, Cunningham, Ellsworth, Fort Scott, Garnett, Goddard, Haysville, Independence, Junction City, Kechi, Larned,

Lawrence, Leawood, McPherson, Mulvane, Newton, Oberlin, Olathe, Olsburg, Park City, Wichita, and Winfield.

**Neutral** testimony was provided by representatives of the Kansas Association of Counties, Kansas Chamber of Commerce, Kansas County Commissioners Association, and Kansas Policy Institute.

Written-only neutral testimony was provided by a representative of the Kansas Legislative Policy Group.

No other testimony was provided.

The House Committee amended the bill to:

- Replace an election requirement with the protest petition provisions;
- Provide for the funds in the Property Tax Relief Fund to be distributed to all eligible taxing jurisdictions rather than only county governments;
- Expand the categories of property tax revenues that are not subject to the limit provided by the bill; and
- Make a technical amendment.

### **Fiscal Information**

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Department of Revenue estimates enactment of the bill would increase expenditures from the SGF by \$60.0 million in FY 2027, \$61.2 million in FY 2028, and \$62.4 million in FY 2029, as demand transfers are treated as expenditures for budgetary purposes. The bill would reduce SGF receipts by \$1.5 million in FY 2028 and future years to account for the transfer to the Taxpayer Notification Costs Fund.

The Department of Revenue, Office of the State Treasurer, and Department of Administration indicate the costs to implement the provisions of the bill would be negligible and could be absorbed within existing resources.

A revised fiscal note on the amended bill was not immediately available. Any fiscal effect associated with the bill is not reflected in *The FY 2027 Governor's Budget Report*.

Taxation; property tax; protest petition; revenue neutral rate; transfers; Property Tax Relief Fund