

SESSION OF 2025

SUPPLEMENTAL NOTE ON SENATE BILL NO. 227

As Amended by House Committee of the Whole

Brief*

SB 227, as amended, would increase tax credit amounts allowed for preservation of historic structures and make changes to the conditions under which different credit amounts are allowed.

Under continuing law, credits are equal to a percentage of qualified expenditures for the preservation or renovation of a historic structure, in an amount determined by the level of investment and the location or type of project.

The bill would authorize credits as follows:

- 25 percent for a project in a city with a population of more than 50,000 and qualified expenditures of at least \$5,000 up to \$50,000; and
- 40 percent for a project:
 - In a city with a population of more than 50,000 and qualified expenditures exceeding \$50,000;
 - In a city, township, or unincorporated area with a population of less than or equal to 50,000 and at least \$5,000 in qualified expenditures; or
 - With at least \$5,000 in qualified expenditures if the structure does not produce income and is exempt from federal income tax pursuant to

*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/>

section 501(c)(3) of the federal Internal Revenue Code.

[*Note:* Current law authorizes credits in amounts of 25, 30, or 40 percent, depending on the project. The bill would increase the credit amount for tax-exempt structures from 25 to 40 percent and restructure other conditions and corresponding credit amounts.]

The bill would also authorize the Department of Revenue, before the issuance of credits under the bill, to verify that the taxpayer does not owe any delinquent income, privilege, premium, sales or compensating use taxes, or interest, additions, or penalties on such taxes, to the State. In case of such outstanding liability, the bill would require that the amount of any credits issued to the taxpayer be reduced by such amounts owed to the State. Once issued, credits would not be subject to reduction, recapture, disallowance, or voidability.

Background

The bill was introduced by the Senate Committee on Commerce at the request of Senator Alley.

Senate Committee on Commerce

In the Senate Committee hearing, **proponent** testimony was provided by representatives of Clock Tower, LLC; Klaton Properties, LLC; Emporia Main Street; and Friends of Historic Preservation. The proponents generally stated the historic preservation credit has been an important tool for incentivizing the preservation of historic structures and provides ongoing social and economic benefits to the state. Proponents indicated that increasing the credit amounts would lead to greater participation and projects in more communities being preserved.

Written-only proponent testimony was provided by the City Manager of Dodge City and representatives of Finney County Economic Development Corporation; Falk Architects, Inc.; and Historic Jayhawk Theatre, Inc.

No other testimony was provided.

The Senate Committee amended the bill to include townships and unincorporated areas among locations within which projects could be eligible for the credit.

House Committee on Taxation

In the House Committee hearing, **proponent** testimony was provided by representatives of Clock Tower, LLC; Friends of Historic Preservation and the Kansas chapter of American Institute of Architects; and Wareham Hall. The proponents generally stated the Historic Preservation Tax Credit program helps finance the preservation and rehabilitation of historic structures and provides a valuable economic benefit to the state. Proponents stated the bill would make the credits more equitable for cities with populations greater than 9,500 and provide for more projects in more locations to be completed.

Written-only proponent testimony was provided by representatives of the City of Dodge City; Commerce Bank; Emporia Main Street; Falk Architects; Historic Jayhawk Theatre, Inc.; Orpheum Performing Arts Center, LTD; Schwerdt Design Group; Senne Company, Inc.; and Southwest Kansas Coalition, and by two private citizens.

No other testimony was provided.

The House Committee amended the bill to disqualify taxpayers with outstanding tax liability from receiving the credit.

House Committee of the Whole

The House Committee of the Whole amended the bill to remove a House Committee amendment disqualifying taxpayers with any outstanding tax liability from receiving the credit and to add the provisions relating to reducing credits by amounts owed for certain delinquent state taxes.

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 decrease revenues to the State General Fund (SGF) by \$600,000 in FY 2026, by \$1.9 million in FY 2027, and by \$3.1 million in FY 2028. It indicates the bill would require \$5,400 from the SGF in FY 2026 to implement.

The Kansas Insurance Department indicates enactment of the bill could have the effect of reducing insurance premium tax collections, of which 99 percent is distributed to the SGF and 1 percent to the Insurance Service Regulation Fund.

Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2026 Governor's Budget Report*.

Taxation; tax credits; historic structures; Historic Preservation Tax Credit