

SESSION OF 2020

**SUPPLEMENTAL NOTE ON SENATE BILL NO. 294**

As Amended by Senate Committee of the Whole

**Brief\***

SB 294, as amended, would establish, beginning in 2021, new notice and public hearing requirements for certain taxing subdivisions prior to property tax increases above a revenue-neutral rate. The bill would not apply to school districts or to any taxing subdivisions receiving less than \$5,000 annually in property taxes.

On or before June 15 of each year, beginning in 2021, the bill would require county clerks to submit the revenue-neutral rate to all other taxing subdivisions at the same time estimated assessed valuation information is provided. "Revenue-neutral rate" would be defined to mean the tax rate for the current tax year that would generate the same property tax revenue as levied the previous tax year using the current tax year's total assessed valuation. The bill would require the Director of Accounts and Reports to modify budget information forms to show the revenue-neutral rate.

The taxing subdivisions affected by the bill would be prohibited from levying rates in excess of the revenue-neutral rates unless the taxing subdivisions have published notice on their websites of the proposed intent to exceed such rates announcing a public hearing on such action. On or before July 15, the bill would also require governing bodies to notify county clerks of their intent to exceed revenue-neutral rates. County clerks subsequently would be required to notify each taxpayer with property in taxing subdivisions seeking to exceed such rates of the public hearings at least 10 days in advance of the hearings. The bill would require county clerks

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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 <http://www.kslegislature.org>

to send notifications *via* mail unless taxpayers and county clerks have both consented to service by electronic means. The bill would require all costs associated with notification requirements to be borne by taxing subdivisions seeking to exceed their revenue-neutral rates, with payment for such costs due to county clerks by December 31.

The bill would require, at the public hearings, which would be required to be held on or before September 15, governing bodies to provide interested taxpayers an opportunity to present oral testimony within reasonable time limits and without unreasonable restriction on the number of individuals allowed to make public comment. At the conclusion of the public hearings, the bill would require a majority vote of governing bodies adopting resolutions or ordinances approving exceeding the revenue-neutral rates prior to adoption of proposed budgets resulting in a tax rate in excess of the revenue-neutral rates.

The public hearings could be conducted in conjunction with other required budget hearings of the taxing subdivisions. Governing bodies taking such action would be required to submit on or before September 20 to each county clerk the amount of property taxes to be levied. Taxing subdivisions not complying with the notification and public hearing requirements outlined in the bill would be required to refund to taxpayers any over-collected property taxes.

The bill also would repeal, beginning in 2021, the current property tax lid law applicable to cities and counties (KSA 79-2925c).

## **Background**

The bill was introduced by Senators Tyson, Alley, Braun, Estes, Goddard, Hilderbrand, Kerschen, Longbine, Lynn, Masterson, Olson, Petersen, Thompson, Wagle, and Wilborn.

In the Senate Committee on Assessment and Taxation hearing on February 7, 2020, representatives of Americans for Prosperity, the Kansas Association of Realtors, the Kansas Chamber, the Kansas Farm Bureau, and the Kansas Policy Institute, and a Linn County Commissioner, appeared as proponents. Proponents stated the bill's provisions would improve property tax transparency and accountability, and noted the legislation generally was patterned after a law Utah has had in place since the 1980s.

Representatives of the City of Lenexa, Kansas Association of Chiefs of Police, the Kansas Association of Counties, Kansas Association of School Boards, Kansas Sheriffs Association, League of Kansas Municipalities, and Unified Government appeared in opposition. Opponents also included the Andover Fire Chief, Andover City Council President, Atchison Director of Administration Service, McPherson Police Chief, McPherson Fire Chief, Riley County Counselor, and the Shawnee County Counselor. Opponents cited several concerns with the bill, including the potential costs that could be incurred by the affected taxing subdivisions.

Additional written-only testimony was submitted by several proponents, opponents, and neutral parties.

On February 13, 2020, the Senate Committee on Assessment and Taxation amended the bill to delay its implementation until 2021 while clarifying the revenue-neutral levy computation and a number of statutory timelines local officials would be required to follow, increase from \$5,000 to \$20,000 the level of annual property taxes below which taxing subdivisions would not be required to be subject to the bill's provisions, exclude school districts from the bill's provisions, and repeal the current tax lid law.

On February 25, 2020, the Senate Committee of the Whole amended the bill to clarify that county clerks be reimbursed for notification costs by December 31 of each year from those taxing subdivisions seeking to exceed

revenue-neutral rates, to decrease from \$20,000 to \$5,000 the level of taxes below which taxing subdivisions would not be subject to the bill's provisions, and to remove a requirement for notice in official county newspapers.

A fiscal note on the bill, as amended, was not immediately available.