

January 12, 2021

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 13 by Senator Tyson, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning SB 13 is respectfully submitted to your committee.

SB 13 would require the county clerk to calculate the revenue neutral rate for each taxing subdivision and include on the notice of the estimated assessed valuation provided to each taxing subdivision for budget purposes on or before June 15th of each year. The Director of Accounts and Reports of the Department of Administration would be required modify the prescribed budget information form to show the revenue neutral rate. The revenue neutral rate would be defined as 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 revenue neutral rate would be calculated by dividing the property tax revenue for a taxing subdivision levied for the previous tax year by the total of all taxable assessed valuation in such taxing subdivision for the current tax year, and then multiply the quotient by 1,000 to find the rate in mills expressed to the third decimal place.

The bill would prohibit the governing body of a taxing subdivision to levy a tax rate in excess of the revenue neutral rate unless a resolution or ordinance has been approved by the governing body. The governing body of a taxing subdivision would be required to notify the county clerk that its intent is to exceed the certified tax rate on or before July 15th of each year. The notice of the intent to exceed the certified tax rate would be required to be published on their website at least ten days in advance of the public hearing. The county clerk would also be required to notify each taxpayer with property of each governing body's intent to exceed the revenue neutral rate at least ten days in advance of the public hearing. The county clerk would send out one consolidated notice that would include all taxing subdivision's intent to exceed the revenue neutral rate. The cost of the notice would be allocated to each of those taxing subdivisions and would be

due to the county clerk by December 31st of each year. The public hearing would be required to occur on or before September 10th of each year. If the governing body of each taxing subdivision does not adhere to the notification and public hearing requirements, then the governing body would be required to refund property taxes collected over the revenue neutral rate to each taxpayer. This new requirement would not apply to school districts. The revenue neutral rate provisions would become effective on January 1, 2021, and at that same time, the current property tax lid law would be repealed.

Under current law, county treasurers are allowed to accept partial payments for delinquent property taxes. The bill would allow the county treasurer to accept partial payments or set up a payment plan for delinquent and nondelinquent taxes.

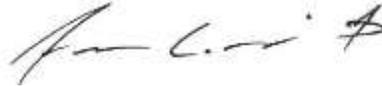
The bill would prevent the county appraiser from increasing the valuation of property solely as a result of normal repair, replacement, or maintenance of existing structures, equipment, and improvements on the property. The bill would state that normal repair, replacement, or maintenance does not include new construction. The provision of the bill would not take effect until July 1, 2021, and all other provision of the bill would become effective upon its publication in the *Kansas Register*.

The Department of Revenue indicates language relating to the revenue neutral rate requirements, would have no fiscal effect on state property tax revenue. This provision of the bill would have no fiscal effect on the operations of the Department of Revenue or the Board of Tax Appeals. The Department of Administration indicates that it would be required to update its budget information form to include the revenue neutral rate on the Office of Accounts and Reports website. The Department of Administration indicates that the costs to implement the bill are estimated to be negligible and could be absorbed within existing resources. The Kansas Association of Counties and the League of Kansas Municipalities indicate this provision of the bill would require substantial administrative costs for local governments, by requiring additional staff time to calculate the revenue neutral rate and the costs to notify taxpayers if a governing body intends to exceed the revenue neutral rate. Additionally, if a governing body of a taxing subdivision does not adhere to the notification and public hearing requirements, then they would be required to issue refunds to each property taxpayer. The Association and League note that it is also possible for the costs to process and mail the refund would exceed the actual refund amount. The Association and League indicate that repealing the property tax lid law has the potential for cost savings, because local governments would no longer be required to hold an election prior to approving a budget that includes additional property tax revenue. However, those cost savings are estimated to be negligible.

The Department of Revenue indicates that allowing county treasurers the ability to accept partial payments for delinquent property taxes, would have no fiscal effect on the amount of property taxes collected, but could affect the timing of when property tax revenues would be distributed. The bill would allow individuals to pay property taxes in smaller increments, which could have the potential to increase the amount of property taxes collected. The amount of increased property taxes could be offset by lower interest earnings from additional payments being made by the date the property taxes are due. The Kansas Association of Counties indicates counties may incur additional expenditures if new procedures would need to be developed to

accommodate the new payment schedule. The Association does not know how many counties would opt in to allow payment plans of nondelinquent property taxes to make a precise estimate of the fiscal effect associated with the bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt". The signature is written in a cursive style with a large initial "A" and a stylized "P" at the end.

Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Jody Allen, Tax Appeals
Jeff Scannell, Department of Administration
Jay Hall, Association of Counties
Wendi Stark, League of Municipalities
Craig Neuenswander, Education