

## MESSAGE FROM THE GOVERNOR

### REGARDING VETO OF HOUSE SUBSTITUTE FOR SENATE BILL 37, HOUSE BILL 2096, AND HOUSE BILL 2097

Kansans need responsible, comprehensive tax relief. As I said in my last veto statement of the Legislature's nearly identical tax bill, 'I cannot sign into law a bill that jeopardizes our state's future fiscal stability.

I have given the Legislature several roadmaps to fiscally responsible tax cuts since January. Instead, they played political games with reckless tax policies, and I vetoed them. I said irresponsible tax policies would lead to a special session.

So here we are. While I applaud the spirit of bipartisanship, this tax cut package, passed at the 11th hour of the last day of the Legislative session, misses the mark. Its proposed cuts and the excessive spending by the Legislature endanger all the progress we've made in restoring services for Kansans, funding our public schools, and investing in our infrastructure.

Additionally, to favor a specific business, a tax abatement scheme was floated to put taxpayer dollars into that business' pocket at the expense of local government services. That's wrong. Taxpayer dollars should not be diverted to political donors under the guise of tax cuts.

Kansans expect us to map a responsible future because we have come a long way, together. Our financial ratings have been upgraded. We have paid down debt. We paid \$224 million for new projects in cash, saving Kansans \$90 million in interest that would have otherwise accumulated through bonds. Education is being funded. We went from zero to a reasonable rainy-day fund for the inevitable emergencies we will face. Kansas is being noticed for its sense of responsibility. Don't toss all that.

The lack of a fiscally responsible tax cut bill jeopardizes other tax policy passed before adjournment, such as legislation to support Kansas' film and digital media industry. The Legislature cannot overpromise tax cuts without considering the overall cost to the state for future years. We cannot start with our expenses and then look at our income. Families and businesses do not budget like that; neither should Kansas.

Therefore, pursuant to Article 2, Section 14(a) of the Kansas Constitution, I hereby veto House Substitute for Senate Bill 37, House Bill 2096, and House Bill 2097.

Laura Kelly, Governor

DATED May 16, 2024

## HOUSE BILL No. 2096

AN ACT concerning taxation; relating to income tax; establishing the veterans' valor property tax relief act and providing for an income tax credit or refund for eligible individuals; increasing the tax credit amount for household and dependent care expenses; modifying the definition of household income and increasing the appraised value threshold for eligibility of seniors and disabled veterans related to increased property tax claims and citing the section as the homeowners' property tax freeze program; relating to property tax; providing a rebate for certain business property operated in competition with property owned or operated by a governmental entity; providing exemptions for certain personal property including watercraft, marine equipment, off-road vehicles, motorized bicycles and certain trailers; excluding internal revenue code section 1031 exchange transactions as indicators of fair market value; providing for certain exclusions from the prohibition of paying taxes under protest after a valuation notice appeal; providing four prior years' values on the annual valuation notice; amending K.S.A. 79-213, 79-503a, 79-32,111c and 79-5501 and K.S.A. 2023 Supp. 79-1460, 79-2005 and 79-4508a and repealing the existing sections.

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

New Section 1. (a) This act shall be known and may be cited as the veterans' valor property tax relief act.

(b) There shall be allowed as a credit against the tax liability of a taxpayer imposed under the Kansas income tax act for tax year 2024, and all tax years thereafter, in an amount equal to 75% of the amount of property and ad valorem taxes actually and timely paid by a taxpayer who has been deemed to be permanently and totally disabled or unemployable pursuant to 38 C.F.R. § 3.340 if such taxes were paid upon real or personal property used for residential purposes of such taxpayer that is the taxpayer's principal place of residence for the tax year in which the tax credit is claimed.

(c) The amount of any such credit for any such taxpayer shall not exceed the amount of property and ad valorem taxes paid by such taxpayer as specified in this section. A taxpayer shall not take the credit pursuant to this section if such taxpayer has received a homestead property tax refund pursuant to K.S.A. 79-4501 et seq., and amendments thereto, or a credit pursuant to the selective assistance for effective senior relief pursuant to K.S.A. 79-32,263, and amendments thereto, for such property for such tax year.

(d) Subject to the provisions of this section, if the amount of such tax credit exceeds the taxpayer's income tax liability for the taxable year, the amount of such excess credit that exceeds such tax liability shall be refunded to the taxpayer.

(e) The secretary of revenue shall adopt rules and regulations regarding the filing of documents that support the amount of the credit claimed pursuant to this section.

(f) The provisions of this act shall be a part of and supplemental to the homestead property tax refund act, except that the income or appraised valuation limits set forth in the homestead property tax refund act shall not apply to this section.

New Sec. 2. (a) The owner of any real property and personal property owned and operated by a business in the state of Kansas that is used by the business predominantly for child care center, health club or restaurant purposes and is located within the taxing jurisdiction of a governmental entity where there is at least one facility owned or operated by such governmental entity that competes against the business and such competing facility owned or operated by the governmental entity is exempt from property or ad valorem taxes levied under any laws of the state of Kansas may make application to such governmental entity for a rebate in an amount equal to the amount of ad valorem property tax levied by such competing governmental entity upon such property for the tax year during which such competition occurred. The rebate shall only be granted if such competing activity by the governmental entity began after the business claiming the rebate began using the real and personal property for a qualifying purpose pursuant to this section.

(b) To be eligible for the rebate authorized by this section, the business owning and operating the described property herein shall be in compliance with state law, city ordinances and county resolutions and shall be current in the payment of state and local taxes.

(c) The owner requesting a rebate pursuant to this section shall be required to submit an application with any supporting documentation to the governing body of such governmental entity on or before December 20 of the year following the tax year at issue.

(d) If the governing body of the governmental entity determines that the owner is eligible for such rebate, such governmental entity shall provide the rebate from the general fund of such governmental entity.

(e) If the governing body of the governmental entity determines that the owner is not eligible for such rebate, the governing body shall provide a written final decision to the owner. The owner may appeal such final decision to the state board of tax appeals within 30 days after service of the final decision.

(f) For purposes of this section:

(1) "Competes against the business" means offering the same or substantially the same goods or services to the public and receiving any payment for those goods or services at least  $\frac{1}{2}$  the number of days per tax year as the business claiming the rebate and such facility owned or operated by a governmental entity is used for the predominant purpose of a child care center, health club or restaurant and is located within the same city as or within five miles of the real property and personal property owned and operated by the business. "Competes against the business" does not include providing such goods or services without receiving payment for those goods or services or providing such goods or services predominantly to its own employees or students. "Competes against the business" does not include restaurants used for educational purposes.

(2) "Governmental entity" means any county or city. Any facility owned or operated by a governmental entity that is to be funded as a result of an election where voters of the governmental entity are asked to approve the imposition of a tax or other funding for the facility, its operations or the repayment of bonds related to such facility shall include in the description of the ballot proposition that such governmental facility may compete against businesses and cause private business to be eligible for a rebate.

(3) "Predominant purpose" means the primary reason individuals attend a facility owned or operated by a governmental entity and is not merely incidental to the operation of the facility. The provision of food at a facility owned or operated by a governmental entity shall not alone constitute the predominate purpose of a facility if the predominate purpose of the entire facility operates for reasons beyond restaurant purposes.

(4) "Real property and personal property owned and operated by a business" means any real property and personal property where the owner of the property is a business enterprise that operates the business and collects the payment of a fee entitling the buyer to use the facility or sells goods or services to the buyer and such owner of the property and operator of the business enterprise are the same business entity, a parent or subsidiary of the same business entity or have any direct or indirect common ownership.

(g) The provisions of this section shall be applicable for tax years commencing after December 31, 2024.

New Sec. 3. (a) The following described property, to the extent herein specified, is hereby exempt from all property or ad valorem taxes levied under the laws of the state of Kansas:

(1) Any off-road vehicle that is not operated upon any highway;

(2) any motorized bicycle, electric-assisted bicycle, electric-assisted scooter, electric personal assistive mobility device and motorized wheelchair as such terms are defined in K.S.A. 8-126, and

amendments thereto;

(3) any trailer having a gross weight of 15,000 pounds or less that is used exclusively for personal use and not for the production of income; and

(4) any marine equipment.

(b) For purposes of this section:

(1) "Marine equipment" means any watercraft trailer designed to launch, retrieve, transport and store watercraft and any watercraft motor designed to operate watercraft on the water;

(2) "off-road motorcycle" means any motorcycle as defined in K.S.A. 8-126, and amendments thereto, that has been manufactured for off-road use only and is used exclusively off roads and highways; and

(3) "off-road vehicle" means:

(A) Any all-terrain vehicle, recreational off-highway vehicle and golf cart as such terms are defined in K.S.A. 8-126, and amendments thereto; and

(B) any off-road motorcycle and snowmobile.

(c) The provisions of this section shall apply to all taxable years commencing after December 31, 2024.

Sec. 4. K.S.A. 79-213 is hereby amended to read as follows: 79-213. (a) Any property owner requesting an exemption from the payment of ad valorem property taxes assessed, or to be assessed, against their property shall be required to file an initial request for exemption, on forms approved by the state board of tax appeals and provided by the county appraiser.

(b) The initial exemption request shall identify the property for which the exemption is requested and state, in detail, the legal and factual basis for the exemption claimed.

(c) The request for exemption shall be filed with the county appraiser of the county where such property is principally located.

(d) After a review of the exemption request, and after a preliminary examination of the facts as alleged, the county appraiser shall recommend that the exemption request either be granted or denied, and, if necessary, that a hearing be held. If a denial is recommended, a statement of the controlling facts and law relied upon shall be included on the form.

(e) The county appraiser, after making such written recommendation, shall file the request for exemption and the recommendations of the county appraiser with the state board of tax appeals. With regard to a request for exemption from property tax pursuant to the provisions of K.S.A. 79-201g and 82a-409, and amendments thereto, not filed with the board of tax appeals by the county appraiser on or before the effective date of this act, if the county appraiser recommends the exemption request be granted, the exemption shall be provided in the amount recommended by the county appraiser and the county appraiser shall not file the request for exemption and recommendations of the county appraiser with the state board of tax appeals. The county clerk or county assessor shall annually make such adjustment in the taxes levied against the real property as the owner may be entitled to receive under the provisions of K.S.A. 79-201g, and amendments thereto, as recommended by the county appraiser, beginning with the first period, following the date of issue of the certificate of completion on which taxes are regularly levied, and during the years which the landowner is entitled to such adjustment.

(f) Upon receipt of the request for exemption, the board shall docket the same and notify the applicant and the county appraiser of such fact.

(g) After examination of the request for exemption and the county appraiser's recommendation related thereto, the board may fix a time

and place for hearing, and shall notify the applicant and the county appraiser of the time and place so fixed. A request for exemption pursuant to: (1) Section 13 of article 11 of the constitution of the state of Kansas; or (2) K.S.A. 79-201a *Second*, and amendments thereto, for property constructed or purchased, in whole or in part, with the proceeds of revenue bonds under the authority of K.S.A. 12-1740 through 12-1749, and amendments thereto, prepared in accordance with instructions and assistance which shall be provided by the department of commerce, shall be deemed approved unless scheduled for hearing within 30 days after the date of receipt of all required information and data relating to the request for exemption, and such hearing shall be conducted within 90 days after such date. Such time periods shall be determined without regard to any extension or continuance allowed to either party to such request. In any case where a party to such request for exemption requests a hearing thereon, the same shall be granted. Hearings shall be conducted in accordance with the provisions of the Kansas administrative procedure act. In all instances where the board sets a request for exemption for hearing, the county shall be represented by its county attorney or county counselor.

(h) Except as otherwise provided by subsection (g), in the event of a hearing, the same shall be originally set not later than 90 days after the filing of the request for exemption with the board.

(i) During the pendency of a request for exemption, no person, firm, unincorporated association, company or corporation charged with real estate or personal property taxes pursuant to K.S.A. 79-2004 and 79-2004a, and amendments thereto, on the tax books in the hands of the county treasurer shall be required to pay the tax from the date the request is filed with the county appraiser until the expiration of 30 days after the board issued its order thereon and the same becomes a final order. In the event that taxes have been assessed against the subject property, no interest shall accrue on any unpaid tax for the year or years in question nor shall the unpaid tax be considered delinquent from the date the request is filed with the county appraiser until the expiration of 30 days after the board issued its order thereon. In the event the board determines an application for exemption is without merit and filed in bad faith to delay the due date of the tax, the tax shall be considered delinquent as of the date the tax would have been due pursuant to K.S.A. 79-2004 and 79-2004a, and amendments thereto, and interest shall accrue as prescribed therein.

(j) In the event the board grants the initial request for exemption, the same shall be effective beginning with the date of first exempt use except that, with respect to property the construction of which commenced not to exceed 24 months prior to the date of first exempt use, the same shall be effective beginning with the date of commencement of construction.

(k) In conjunction with its authority to grant exemptions, the board shall have the authority to abate all unpaid taxes that have accrued from and since the effective date of the exemption. In the event that taxes have been paid during the period where the subject property has been determined to be exempt, the board shall have the authority to order a refund of taxes for the year immediately preceding the year in which the exemption application is filed in accordance with subsection (a).

(l) The provisions of this section shall not apply to: (1) Farm machinery and equipment exempted from ad valorem taxation by K.S.A. 79-201j, and amendments thereto; (2) personal property exempted from ad valorem taxation by K.S.A. 79-215, and amendments thereto; (3) wearing apparel, household goods and personal effects exempted from ad valorem taxation by K.S.A. 79-201c, and amendments thereto; (4) livestock; (5) all property exempted

from ad valorem taxation by K.S.A. 79-201d, and amendments thereto; (6) merchants' and manufacturers' inventories exempted from ad valorem taxation by K.S.A. 79-201m, and amendments thereto; (7) grain exempted from ad valorem taxation by K.S.A. 79-201n, and amendments thereto; (8) property exempted from ad valorem taxation by K.S.A. 79-201a *Seventeenth*, and amendments thereto, including all property previously acquired by the secretary of transportation or a predecessor in interest, which is used in the administration, construction, maintenance or operation of the state system of highways. The secretary of transportation shall at the time of acquisition of property notify the county appraiser in the county in which the property is located that the acquisition occurred and provide a legal description of the property acquired; (9) property exempted from ad valorem taxation by K.S.A. 79-201a *Ninth*, and amendments thereto, including all property previously acquired by the Kansas turnpike authority which is used in the administration, construction, maintenance or operation of the Kansas turnpike. The Kansas turnpike authority shall at the time of acquisition of property notify the county appraiser in the county in which the property is located that the acquisition occurred and provide a legal description of the property acquired; (10) aquaculture machinery and equipment exempted from ad valorem taxation by K.S.A. 79-201j, and amendments thereto. As used in this section, "aquaculture" has the same meaning ascribed thereto by K.S.A. 47-1901, and amendments thereto; (11) Christmas tree machinery and equipment exempted from ad valorem taxation by K.S.A. 79-201j, and amendments thereto; (12) property used exclusively by the state or any municipality or political subdivision of the state for right-of-way purposes. The state agency or the governing body of the municipality or political subdivision shall at the time of acquisition of property for right-of-way purposes notify the county appraiser in the county in which the property is located that the acquisition occurred and provide a legal description of the property acquired; (13) machinery, equipment, materials and supplies exempted from ad valorem taxation by K.S.A. 79-201w, and amendments thereto; (14) vehicles owned by the state or by any political or taxing subdivision thereof and used exclusively for governmental purposes; (15) property used for residential purposes which is exempted pursuant to K.S.A. 79-201x, and amendments thereto, from the property tax levied pursuant to K.S.A. 72-5142, and amendments thereto; (16) from and after July 1, 1998, vehicles which are owned by an organization having as one of its purposes the assistance by the provision of transit services to the elderly and to disabled persons and which are exempted pursuant to K.S.A. 79-201 *Ninth*, and amendments thereto; (17) from and after July 1, 1998, motor vehicles exempted from taxation by K.S.A. 79-5107(e), and amendments thereto; (18) commercial and industrial machinery and equipment exempted from property or ad valorem taxation by K.S.A. 79-223, and amendments thereto; (19) telecommunications machinery and equipment and railroad machinery and equipment exempted from property or ad valorem taxation by K.S.A. 79-224, and amendments thereto; (20) property exempted from property or ad valorem taxation by K.S.A. 79-234, and amendments thereto; (21) recreational vehicles exempted from property or ad valorem taxation by K.S.A. 79-5121(e), and amendments thereto; (22) property acquired by a land bank exempt from property or ad valorem taxation pursuant to K.S.A. 12-5909 or K.S.A. 19-26,111, and amendments thereto; ~~and~~ (23) property belonging exclusively to the United States and exempted from ad valorem taxation by K.S.A. 79-201a *First*, and amendments thereto, except that the provisions of this subsection (1)(23) shall not apply to any such property that the congress of the United States has expressly

declared to be subject to state and local taxation; (24) *watercraft exempted from property or ad valorem taxation by K.S.A. 79-5501, and amendments thereto; and (25) property exempted from property or ad valorem taxation by section 3, and amendments thereto.*

(m) The provisions of this section shall apply to property exempt pursuant to the provisions of section 13 of article 11 of the constitution of the state of Kansas.

(n) The provisions of subsection (k) as amended by this act shall be applicable to all exemption applications filed in accordance with subsection (a) after December 31, 2001.

(o) No exemption authorized by K.S.A. 79-227, and amendments thereto, of property from the payment of ad valorem property taxes assessed shall be granted unless the requesting property owner files an initial request for exemption pursuant to this section within two years of the date in which construction of a new qualifying pipeline property began. The provisions of this subsection shall be applicable to all requests for exemptions filed in accordance with subsection (a) after June 30, 2017.

Sec. 5. K.S.A. 79-503a is hereby amended to read as follows: 79-503a. "Fair market value" means the amount in terms of money that a well informed buyer is justified in paying and a well informed seller is justified in accepting for property in an open and competitive market, assuming that the parties are acting without undue compulsion. In the determination of fair market value of any real property which is subject to any special assessment, such value shall not be determined by adding the present value of the special assessment to the sales price. For the purposes of this definition it will be assumed that consummation of a sale occurs as of January 1.

Sales in and of themselves shall not be the sole criteria of fair market value but shall be used in connection with cost, income and other factors including but not by way of exclusion:

- (a) The proper classification of lands and improvements;
- (b) the size thereof;
- (c) the effect of location on value;
- (d) depreciation, including physical deterioration or functional, economic or social obsolescence;
- (e) cost of reproduction of improvements;
- (f) productivity taking into account all restrictions imposed by the state or federal government and local governing bodies, including, but not limited to, restrictions on property rented or leased to low income individuals and families as authorized by section 42 of the federal internal revenue code of 1986, as amended;
- (g) earning capacity as indicated by lease price, by capitalization of net income or by absorption or sell-out period;
- (h) rental or reasonable rental values or rental values restricted by the state or federal government or local governing bodies, including, but not limited to, restrictions on property rented or leased to low income individuals and families, as authorized by section 42 of the federal internal revenue code of 1986, as amended;
- (i) sale value on open market with due allowance to abnormal inflationary factors influencing such values;
- (j) restrictions or requirements imposed upon the use of real estate by the state or federal government or local governing bodies, including zoning and planning boards or commissions, and including, but not limited to, restrictions or requirements imposed upon the use of real estate rented or leased to low income individuals and families, as authorized by section 42 of the federal internal revenue code of 1986, as amended; and
- (k) comparison with values of other property of known or

recognized value. The assessment-sales ratio study shall not be used as an appraisal for appraisal purposes.

The appraisal process utilized in the valuation of all real and tangible personal property for ad valorem tax purposes shall conform to generally accepted appraisal procedures and standards which are consistent with the definition of fair market value unless otherwise specified by law.

*The sale price or value at which a property sells or transfers ownership in a federal internal revenue code section 1031 exchange shall not be considered an indicator of fair market value nor as a factor in arriving at fair market value. Federal internal revenue code section 1031 exchange transactions shall not be used as comparable sales for valuation purposes nor as valid sales for purposes of sales ratio studies conducted pursuant to K.S.A. 79-1485 et seq., and amendments thereto.*

Sec. 6. K.S.A. 2023 Supp. 79-1460 is hereby amended to read as follows: 79-1460. (a) The county appraiser shall notify each taxpayer in the county annually on or before March 1 for real property and May 1 for personal property, by mail directed to the taxpayer's last known address, of the classification and appraised valuation of the taxpayer's property, except that, the valuation for all real property shall not be increased unless the record of the latest physical inspection was reviewed by the county or district appraiser, and documentation exists to support such increase in valuation in compliance with the directives and specifications of the director of property valuation, and such record and documentation is available to the affected taxpayer. Alternatively, the county appraiser may transmit the classification and appraised valuation to the taxpayer by electronic means if such taxpayer consented to service by electronic means.

(b) The valuation for all real property also shall not be increased solely as the result of normal repair, replacement or maintenance of existing structures, equipment or improvements on the property. For the next two taxable years following the taxable year that the valuation for commercial real property has been reduced due to a final determination made pursuant to the valuation appeals process, the county appraiser shall review the computer-assisted mass-appraisal of the property and if, the valuation in either of those two years exceeds the value of the previous year by more than 5%, excluding new construction, change in use or change in classification, the county appraiser shall either:

(1) Adjust the valuation of the property based on the information provided in the previous appeal; or

(2) order an independent fee simple appraisal of the property to be performed by a Kansas certified real property appraiser.

(c) When the valuation for real property has been reduced due to a final determination made pursuant to the valuation appeals process for the prior year, and the county appraiser has already certified the appraisal rolls for the current year to the county clerk pursuant to K.S.A. 79-1466, and amendments thereto, the county appraiser may amend the appraisal rolls and certify the changes to the county clerk to implement the provisions of this subsection and reduce the valuation of the real property to the prior year's final determination, except that such changes shall not be made after October 31 of the current year.

(d) (1) The notice provided under subsection (a) shall specify:

(A) Separately for the previous tax year and the current tax year, the appraised and assessed values for each property class identified on the parcel;

(B) the uniform parcel identification number prescribed by the director of property valuation; ~~and~~

(C) a statement of the taxpayer's right to appeal, the procedure to

be followed in making such appeal and the availability without charge of the guide devised pursuant to subsection (g); and

(D) *a valuation history of the parcel that includes, at a minimum, a statement or display of the total appraised values of the parcel for the current tax year and the previous four tax years.*

(2) Such notice may, and if the board of county commissioners so require, shall provide the parcel identification number, address and the sale date and amount of any or all sales utilized in the determination of appraised value of residential real property.

(e) In any year in which no change in appraised valuation of any real property from its appraised valuation in the next preceding year is determined, an alternative form of notification which has been approved by the director of property valuation may be utilized by a county.

(f) Failure to timely mail or receive such notice shall in no way invalidate the classification or appraised valuation as changed. The secretary of revenue shall adopt rules and regulations necessary to implement the provisions of this section.

(g) There shall be provided to each taxpayer, upon request, a guide to the property tax appeals process. The director of the division of property valuation shall devise and publish such guide and shall provide sufficient copies thereof to all county appraisers. Such guide shall include, but not be limited to:

(1) A restatement of the law which pertains to the process and practice of property appraisal methodology, including the contents of K.S.A. 79-503a and 79-1460, and amendments thereto;

(2) the procedures of the appeals process, including the order and burden of proof of each party and time frames required by law; and

(3) such other information deemed necessary to educate and enable a taxpayer to properly and competently pursue an appraisal appeal.

(h) As used in this section:

(1) "New construction" means the construction of any new structure or improvements or the remodeling or renovation of any existing structures or improvements on real property.

(2) "Normal repair, replacement or maintenance" does not include new construction.

(3) "Taxpayer" means the person in ownership of the property as indicated on the records of the office of register of deeds or county clerk and includes the lessee of such property if the lease agreement has been recorded or filed in the office of the register of deeds and the real property or improvement thereon is subject of a lease agreement.

Sec. 7. K.S.A. 2023 Supp. 79-2005 is hereby amended to read as follows: 79-2005. (a) Any taxpayer, before protesting the payment of such taxpayer's taxes, shall be required, either at the time of paying such taxes, or, if the whole or part of the taxes are paid prior to December 20, no later than December 20, or, with respect to taxes paid in whole or in part in an amount equal to at least  $\frac{1}{2}$  of such taxes on or before December 20 by an escrow or tax service agent, no later than January 31 of the next year, to file a written statement with the county treasurer, on forms approved by the state board of tax appeals and provided by the county treasurer, clearly stating the grounds on which the whole or any part of such taxes are protested and citing any law, statute or facts on which such taxpayer relies in protesting the whole or any part of such taxes. When the grounds of such protest is an assessment of taxes made pursuant to K.S.A. 79-332a and 79-1427a, and amendments thereto, the county treasurer may not distribute the taxes paid under protest until such time as the appeal is final. When the grounds of such protest is that the valuation or assessment of the

property upon which the taxes are levied is illegal or void, the county treasurer shall forward a copy of the written statement of protest to the county appraiser who shall within 15 days of the receipt thereof, schedule an informal meeting with the taxpayer or such taxpayer's agent or attorney with reference to the property in question. At the informal meeting, it shall be the duty of the county appraiser or the county appraiser's designee to initiate production of evidence to substantiate the valuation of such property, including a summary of the reasons that the valuation of the property has been increased over the preceding year, any assumptions used by the county appraiser to determine the value of the property and a description of the individual property characteristics, property specific valuation records and conclusions. The taxpayer shall be provided with the opportunity to review the data sheets applicable to the valuation approach utilized for the subject property. The county appraiser shall take into account any evidence provided by the taxpayer which relates to the amount of deferred maintenance and depreciation of the property. The county appraiser shall review the appraisal of the taxpayer's property with the taxpayer or such taxpayer's agent or attorney and may change the valuation of the taxpayer's property, if in the county appraiser's opinion a change in the valuation of the taxpayer's property is required to assure that the taxpayer's property is valued according to law, and shall, within 15 business days thereof, notify the taxpayer in the event the valuation of the taxpayer's property is changed, in writing of the results of the meeting. The county appraiser shall not increase the appraised valuation of the property as a result of the informal meeting. In the event the valuation of the taxpayer's property is changed and such change requires a refund of taxes and interest thereon, the county treasurer shall process the refund in the manner provided by subsection (l).

(b) No protest appealing the valuation or assessment of property shall be filed pertaining to any year's valuation or assessment when an appeal of such valuation or assessment was commenced pursuant to K.S.A. 79-1448, and amendments thereto, nor shall the second half payment of taxes be protested when the first half payment of taxes has been protested. Notwithstanding the foregoing, this provision shall not prevent any subsequent owner from protesting taxes levied for the year in which such property was acquired, nor shall it prevent any taxpayer from protesting taxes when:

(1) The valuation or assessment of such taxpayer's property has been changed pursuant to an order of the director of property valuation;

(2) *the taxpayer withdrew such taxpayer's appeal commenced pursuant to K.S.A. 79-1448, and amendments thereto; or*

(3) *the taxpayer wishes to present new evidence relating to the valuation or assessment of such property.*

(c) A protest shall not be necessary to protect the right to a refund of taxes in the event a refund is required because the final resolution of an appeal commenced pursuant to K.S.A. 79-1448, and amendments thereto, occurs after the final date prescribed for the protest of taxes.

(d) If the grounds of such protest shall be that the valuation or assessment of the property upon which the taxes so protested are levied is illegal or void, such statement shall further state the exact amount of valuation or assessment which the taxpayer admits to be valid and the exact portion of such taxes which is being protested.

(e) If the grounds of such protest shall be that any tax levy, or any part thereof, is illegal, such statement shall further state the exact portion of such tax which is being protested.

(f) Upon the filing of a written statement of protest, the grounds of which shall be that any tax levied, or any part thereof, is illegal, the

county treasurer shall mail a copy of such written statement of protest to the state board of tax appeals and the governing body of the taxing district making the levy being protested.

(g) Within 30 days after notification of the results of the informal meeting with the county appraiser pursuant to subsection (a), the protesting taxpayer may, if aggrieved by the results of the informal meeting with the county appraiser, appeal such results to the state board of tax appeals.

(h) After examination of the copy of the written statement of protest and a copy of the written notification of the results of the informal meeting with the county appraiser in cases where the grounds of such protest is that the valuation or assessment of the property upon which the taxes are levied is illegal or void, the board shall conduct a hearing in accordance with the provisions of the Kansas administrative procedure act, unless waived by the interested parties in writing. If the grounds of such protest is that the valuation or assessment of the property is illegal or void the board shall notify the county appraiser thereof.

(i) In the event of a hearing, the same shall be originally set not later than 90 days after the filing of the copy of the written statement of protest and a copy, when applicable, of the written notification of the results of the informal meeting with the county appraiser with the board. With regard to any matter properly submitted to the board relating to the determination of valuation of residential property or real property used for commercial and industrial purposes for taxation purposes, it shall be the duty of the county appraiser to initiate the production of evidence to demonstrate, by a preponderance of the evidence, the validity and correctness of such determination except that no such duty shall accrue to the county or district appraiser with regard to leased commercial and industrial property unless the property owner has furnished to the county or district appraiser a complete income and expense statement for the property for the three years next preceding the year of appeal. No presumption shall exist in favor of the county appraiser with respect to the validity and correctness of such determination. In all instances where the board sets a request for hearing and requires the representation of the county by its attorney or counselor at such hearing, the county shall be represented by its county attorney or counselor. The board shall take into account any evidence provided by the taxpayer which relates to the amount of deferred maintenance and depreciation for the property. In any appeal from the reclassification of property that was classified as land devoted to agricultural use for the preceding year, the taxpayer's classification of the property as land devoted to agricultural use shall be presumed to be valid and correct if the taxpayer provides an executed lease agreement or other documentation demonstrating a commitment to use the property for agricultural use, if no other actual use is evident. With regard to any matter properly submitted to the board relating to the determination of valuation of property for taxation purposes, the board shall not increase the appraised valuation of the property to an amount greater than the appraised value reflected in the notification of the results of the informal meeting with the county appraiser from which the taxpayer appealed.

(j) When a determination is made as to the merits of the tax protest, the board shall render and serve its order thereon. The county treasurer shall notify all affected taxing districts of the amount by which tax revenues will be reduced as a result of a refund.

(k) If a protesting taxpayer fails to file a copy of the written statement of protest and a copy, when applicable, of the written notification of the results of the informal meeting with the county

appraiser with the board within the time limit prescribed, such protest shall become null and void and of no effect whatsoever.

(l) (1) In the event the board orders that a refund be made pursuant to this section or the provisions of K.S.A. 79-1609, and amendments thereto, or a court of competent jurisdiction orders that a refund be made, and no appeal is taken from such order, or in the event a change in valuation which results in a refund pursuant to subsection (a), the county treasurer shall, as soon thereafter as reasonably practicable, refund to the taxpayer such protested taxes and, with respect to protests or appeals commenced after the effective date of this act, interest computed at the rate prescribed by K.S.A. 79-2968, and amendments thereto, minus two percentage points, per annum from the date of payment of such taxes from tax moneys collected but not distributed. Upon making such refund, the county treasurer shall charge the fund or funds having received such protested taxes, except that, with respect to that portion of any such refund attributable to interest the county treasurer shall charge the county general fund. In the event that the state board of tax appeals or a court of competent jurisdiction finds that any time delay in making its decision is unreasonable and is attributable to the taxpayer, it may order that no interest or only a portion thereof be added to such refund of taxes.

(2) No interest shall be allowed pursuant to paragraph (1) in any case where the tax paid under protest was inclusive of delinquent taxes.

(m) Whenever, by reason of the refund of taxes previously received or the reduction of taxes levied but not received as a result of decreases in assessed valuation, it will be impossible to pay for imperative functions for the current budget year, the governing body of the taxing district affected may issue no-fund warrants in the amount necessary. Such warrants shall conform to the requirements prescribed by K.S.A. 79-2940, and amendments thereto, except they shall not bear the notation required by such section and may be issued without the approval of the state board of tax appeals. The governing body of such taxing district shall make a tax levy at the time fixed for the certification of tax levies to the county clerk next following the issuance of such warrants sufficient to pay such warrants and the interest thereon. All such tax levies shall be in addition to all other levies authorized by law.

(n) Whenever a taxpayer appeals to the board of tax appeals pursuant to the provisions of K.S.A. 79-1609, and amendments thereto, or pays taxes under protest related to one property whereby the assessed valuation of such property exceeds 5% of the total county assessed valuation of all property located within such county and the taxpayer receives a refund of such taxes paid under protest or a refund made pursuant to the provisions of K.S.A. 79-1609, and amendments thereto, the county treasurer or the governing body of any taxing subdivision within a county may request the pooled money investment board to make a loan to such county or taxing subdivision as provided in this section. The pooled money investment board is authorized and directed to loan to such county or taxing subdivision sufficient funds to enable the county or taxing subdivision to refund such taxes to the taxpayer. The pooled money investment board is authorized and directed to use any moneys in the operating accounts, investment accounts or other investments of the state of Kansas to provide the funds for such loan. Each loan shall bear interest at a rate equal to the net earnings rate of the pooled money investment portfolio at the time of the making of such loan. The total aggregate amount of loans under this program shall not exceed \$50,000,000 of unencumbered funds pursuant to article 42 of chapter 75 of the Kansas Statutes Annotated, and amendments thereto. Such loan shall not be deemed to be an

indebtedness or debt of the state of Kansas within the meaning of section 6 of article 11 of the constitution of the state of Kansas. Upon certification to the pooled money investment board by the county treasurer or governing body of the amount of each loan authorized pursuant to this subsection, the pooled money investment board shall transfer each such amount certified by the county treasurer or governing body from the state bank account or accounts prescribed in this subsection to the county treasurer who shall deposit such amount in the county treasury. Any such loan authorized pursuant to this subsection shall be repaid within four years. The county or taxing subdivision shall make not more than four equal annual tax levies at the time fixed for the certification of tax levies to the county clerk following the making of such loan sufficient to pay such loan within the time period required under such loan. All such tax levies shall be in addition to all other levies authorized by law.

(o) The county treasurer shall disburse to the proper funds all portions of taxes paid under protest and shall maintain a record of all portions of such taxes which are so protested and shall notify the governing body of the taxing district levying such taxes thereof and the director of accounts and reports if any tax protested was levied by the state.

(p) This statute shall not apply to the valuation and assessment of property assessed by the director of property valuation and it shall not be necessary for any owner of state assessed property, who has an appeal pending before the state board of tax appeals, to protest the payment of taxes under this statute solely for the purpose of protecting the right to a refund of taxes paid under protest should that owner be successful in that appeal.

Sec. 8. K.S.A. 79-32,111c is hereby amended to read as follows: 79-32,111c. (a) There shall be allowed as a credit against the tax liability of a resident individual imposed under the Kansas income tax act an amount equal to 12.5% for tax year 2018; an amount equal to 18.75% for tax year 2019; ~~and~~ an amount equal to 25% for tax ~~year~~ *years 2020 through 2023; and an amount equal to 100% for tax year 2024*, and all tax years thereafter, of the amount of the credit allowed against such taxpayer's federal income tax liability pursuant to 26 U.S.C. § 21 for the taxable year in which such credit was claimed against the taxpayer's federal income tax liability.

(b) The credit allowed by subsection (a) shall not exceed the amount of the tax imposed by K.S.A. 79-32,110, and amendments thereto, reduced by the sum of any other credits allowable pursuant to law.

(c) No credit provided under this section shall be allowed to any individual who fails to provide a valid social security number issued by the social security administration, to such individual, the individual's spouse and every dependent of the individual.

Sec. 9. K.S.A. 2023 Supp. 79-4508a is hereby amended to read as follows: 79-4508a. (a) For tax year 2022, and all tax years thereafter, the amount of any claim pursuant to this section shall be computed by deducting the claimant's base year ad valorem tax amount for the homestead from the claimant's homestead ad valorem tax amount for the tax year for which the refund is sought. *This section shall be known and may be cited as the homeowners' property tax freeze program.*

(b) As used in this section:

(1) "Base year" means the year in which an individual becomes an eligible claimant and who is also eligible for a claim for refund pursuant to this section. For any individual who would otherwise be an eligible claimant prior to 2021, such base year shall be deemed to be 2021 for the purposes of this act.

(2) "Claimant" means a person who has filed a claim under the provisions of this act and was, during the entire calendar year preceding the year in which such claim was filed for refund under this act, except as provided in K.S.A. 79-4503, and amendments thereto, both domiciled in this state and was: (A) A person who is 65 years of age or older; or (B) a disabled veteran. The surviving spouse of a person 65 years of age or older or a disabled veteran who was receiving benefits pursuant to this section at the time of the claimant's death shall be eligible to continue to receive benefits until such time the surviving spouse remarries.

(3) *"Household income" means the total Kansas adjusted gross income of all persons of a household in a calendar year while members of such household excluding any amounts received as benefits under the federal social security act that are included in Kansas adjusted gross income of such persons.*

(c) A claimant shall only be eligible for a claim for refund under this section if:

(1) The claimant's household income for the year in which the claim is filed is ~~\$50,000~~ \$80,000 or less; and

(2) the appraised value of the claimant's homestead for the base year is ~~\$350,000~~ \$500,000 or less.

The provisions of K.S.A. 79-4522, and amendments thereto, shall not apply to a claim pursuant to this section. In the case of all tax years commencing after December 31, 2022, the upper limit household income threshold amount prescribed in this subsection shall be increased by an amount equal to such threshold amount multiplied by the cost-of-living adjustment determined under section 1(f)(3) of the federal internal revenue code for the calendar year in which the taxable year commences.

(d) A taxpayer shall not be eligible for a homestead property tax refund claim pursuant to this section if such taxpayer has received for such property for such tax year either: (1) A homestead property tax refund pursuant to K.S.A. 79-4508, and amendments thereto; or (2) the selective assistance for effective senior relief (SAFESR) credit pursuant to K.S.A. 79-32,263, and amendments thereto.

(e) The amount of any claim shall be computed to the nearest \$1.

(f) *The household income and appraised value amendments made to this section by this act shall apply retroactively, and the deadline to file claims for tax years 2022 and 2023 shall be extended to on or before April 15, 2025.*

(g) The provisions of this section shall be a part of and supplemental to the homestead property tax refund act.

Sec. 10. K.S.A. 79-5501 is hereby amended to read as follows: 79-5501. (a) ~~On and after~~ *Commencing July 1, 2013, and through December 31, 2024,* watercraft shall be appraised at fair market value determined therefor pursuant to K.S.A. 79-503a, and amendments thereto, and assessed at the percentage of value as follows: (1) 11.5% in tax year 2014; and (2) 5% in tax ~~year years 2015 and all tax years thereafter through 2024.~~ On and after January 1, 2014, the levy used to calculate the tax on watercraft shall be the county average tax rate. In no case shall the assessed value of any watercraft, as determined under the provisions of this section, cause the tax upon such watercraft to be less than \$12.

(b) As used in this section, the term "watercraft" means any watercraft designed to be propelled by machinery, oars, paddles or wind action upon a sail for navigation on the water which, if not for the provisions of this section, would be properly classified under subclass 5 or 6 of class 2 of section 1 of article 11 of the Kansas constitution. This section shall not be construed as taxing any watercraft which otherwise

would be exempt from property taxation under the laws of the state of Kansas. Each watercraft may include one trailer which is designed to launch, retrieve, transport and store such watercraft and any nonelectric motor or motors which are necessary to operate such watercraft on the water.

(c) Any watercraft which is designed to be propelled through the water through human power alone shall be exempt from all property or ad valorem taxes levied under the laws of the state of Kansas.

(d) The "county average tax rate" means the total amount of general property taxes levied within the county by the state, county and all other taxing subdivisions divided by the total assessed valuation of all taxable property within the county as of November 1 of the year prior to the year of valuation as certified by the secretary of revenue.

(e) *On and after January 1, 2025, all watercraft shall be exempt from all property or ad valorem taxes levied under the laws of the state of Kansas.*

Sec. 11. K.S.A. 79-213, 79-503a, 79-32,111c and 79-5501 and K.S.A. 2023 Supp. 79-1460, 79-2005 and 79-4508a are hereby repealed.

Sec. 12. This act shall take effect and be in force from and after its publication in the statute book.

I hereby certify that the above BILL originated in the HOUSE, and was adopted by that body

\_\_\_\_\_  
HOUSE adopted  
Conference Committee Report \_\_\_\_\_

\_\_\_\_\_  
*Speaker of the House.*

\_\_\_\_\_  
*Chief Clerk of the House.*

Passed the SENATE  
as amended \_\_\_\_\_

SENATE adopted  
Conference Committee Report \_\_\_\_\_

\_\_\_\_\_  
*President of the Senate.*

\_\_\_\_\_  
*Secretary of the Senate.*

APPROVED \_\_\_\_\_

\_\_\_\_\_  
*Governor.*