

HOUSE BILL No. 2508

By Representatives V. Miller, Alcalá, Amyx, Ballard, Carlin, Carmichael, Carr, Clifford, Curtis, Dodson, Featherston, Goddard, Haskins, Haswood, Highberger, Houglan, Hoyer, Martinez, McDonald, Melton, Meyer, D. Miller, S. Miller, Neighbor, Ohaebosim, Oropeza, Osman, Ousley, Poskin, Probst, L. Ruiz, S. Ruiz, Sawyer, Sawyer Clayton, Schlingensiepen, Seiwert, Stogsdill, Vaughn, Weigel, Winn, Woodard and Xu

1-16

1 AN ACT concerning taxation; relating to the local ad valorem tax
2 reduction fund; authorizing a transfer of state general fund moneys to
3 such fund in fiscal year 2025 and all fiscal years thereafter; requiring
4 that all moneys received from such fund by political subdivisions be
5 credited to residential property taxpayers in the form of a rebate;
6 providing a formula for such rebate amount; amending K.S.A. 65-163j,
7 65-3306, 65-3327, 75-2556, 79-1479, 79-2960 and 79-2961 and K.S.A.
8 2023 Supp. 79-2959 and repealing the existing sections.
9

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

11 Section 1. K.S.A. 65-163j is hereby amended to read as follows: 65-
12 163j. (a) The dedicated source of revenue for repayment of a loan to a
13 municipality may include service charges, connection fees, special
14 assessments, property taxes, grants or any other source of revenue lawfully
15 available to the municipality for such purpose. In order to ensure
16 repayment by municipalities of the amounts of loans provided under this
17 act, the secretary, after consultation with the governing body of any
18 municipality which receives a loan, may adopt charges to be levied against
19 individuals and entities served by the project. Any such charges shall
20 remain in effect until the total amount of the loan, and any interest thereon,
21 has been repaid. The charges shall, insofar as is practicable, be equitably
22 assessed and may be in the form of a surcharge to the existing charges of
23 the municipality. The governing body of any municipality which receives a
24 loan under this act shall collect any charges established by the secretary
25 and shall pay the moneys collected therefrom to the secretary in
26 accordance with procedures established by the secretary.

27 ~~(b) Upon the failure of a municipality to meet the repayment terms~~
28 ~~and conditions of the agreement, the secretary may order the treasurer of~~
29 ~~the county in which the municipality is located to pay to the secretary such~~
30 ~~portion of the municipality's share of the local ad valorem tax reduction~~
31 ~~fund as may be necessary to meet the terms of the agreement,~~
32 ~~notwithstanding the provisions of K.S.A. 79-2960 and 79-2961, and~~

1 ~~amendments thereto. Upon the issuance of such an order, the municipality~~
2 ~~shall not be required to make the tax levy reductions otherwise required by~~
3 ~~K.S.A. 79-2960 and 79-2961, and amendments thereto.~~

4 (e) Municipalities ~~which~~ *that* are provided with loans under this act
5 shall maintain project accounts in accordance with generally accepted
6 government accounting standards.

7 (d)(c) Any loans received by a municipality under the provisions of
8 this act shall be construed to be bonds for the purposes of K.S.A. 10-1116
9 and 79-5028, and amendments thereto, and the amount of such loans shall
10 not be included within any limitation on the bonded indebtedness of the
11 municipality.

12 Sec. 2. K.S.A. 65-3306 is hereby amended to read as follows: 65-
13 3306. The secretary's annual request for appropriations to the water
14 pollution control account shall be based on an estimate of the fiscal needs
15 for the ensuing budget year, less any amounts received by the secretary
16 from any public or private grants or contributions and moneys in such
17 account shall be used solely for the purposes provided for by this act.
18 Moneys allocated to a municipality shall be encumbered as an expenditure
19 of this account upon the formal letting of a contract for the improvement
20 notwithstanding the date on which actual payment is made of the state
21 financial assistance. Any municipality may contribute moneys to the state
22 water pollution control account. If there are no uncommitted or
23 unencumbered moneys in the water pollution control account, any
24 municipality applying for any water pollution control project as defined in
25 K.S.A. 65-3302, *and amendments thereto*, shall, as a condition of such
26 application, certify in writing to the secretary that a contribution in the
27 amount of ~~twenty-five percent~~ (25%) of the eligible cost of such project
28 will be made to the water pollution control account by such municipality
29 prior to formal letting of a construction contract. Upon receipt by the
30 secretary, each such contribution shall be retained in a subaccount of the
31 water pollution control account for use solely in the project for which the
32 municipality has made application.

33 ~~Notwithstanding the provisions of K.S.A. 79-2960 and 79-2961, any~~
34 ~~municipality applying for such a water pollution control project may make~~
35 ~~such contribution from all or such part of its share of the local ad valorem~~
36 ~~tax reduction fund as may be necessary for such purpose, and to the extent~~
37 ~~such fund is pledged and used for such purpose the municipality shall not~~
38 ~~be required to make the tax levy reductions otherwise required by K.S.A.~~
39 ~~79-2960 and 79-2961. Taxes levied by any municipality by reason of its~~
40 ~~failure to make such reduction in its levies shall not be subject to or be~~
41 ~~considered in computing the aggregate limitation upon the levy of taxes by~~
42 ~~such municipality under the provisions of K.S.A. 79-5003.~~

43 Sec. 3. K.S.A. 65-3327 is hereby amended to read as follows: 65-

1 3327. (a) The dedicated source of revenue for repayment of the loans may
2 include service charges, connection fees, special assessments, property
3 taxes, grants or any other source of revenue lawfully available to the
4 municipality for such purpose. In order to ensure repayment by
5 municipalities of the amounts of loans provided under K.S.A. 65-3321
6 through 65-3329, and amendments thereto, the secretary, after consultation
7 with the governing body of any municipality which receives a loan, may
8 adopt charges to be levied against users of the project. Any such charges
9 shall remain in effect until the total amount of the loan, and any interest
10 thereon, has been repaid. The charges shall, insofar as is practicable, be
11 equitably assessed and may be in the form of a surcharge to the existing
12 charges of the municipality. The governing body of any municipality
13 which receives a loan under K.S.A. 65-3321 through 65-3329, and
14 amendments thereto, shall collect any charges established by the secretary
15 and shall pay the moneys collected therefrom to the secretary in
16 accordance with procedures established by the secretary.

17 ~~(b) Upon the failure of a municipality to meet the repayment terms~~
18 ~~and conditions of the agreement, the secretary may order the treasurer of~~
19 ~~the county in which the municipality is located to pay to the secretary such~~
20 ~~portion of the municipality's share of the local ad valorem tax reduction~~
21 ~~fund as may be necessary to meet the terms of the agreement,~~
22 ~~notwithstanding the provisions of K.S.A. 79-2960 and 79-2961 and~~
23 ~~amendments thereto. Upon the issuance of such an order, the municipality~~
24 ~~shall not be required to make the tax levy reductions otherwise required by~~
25 ~~K.S.A. 79-2960 and 79-2961 and amendments thereto.~~

26 (e) Municipalities ~~which~~ *that* are provided with loans under K.S.A.
27 65-3321 through 65-3329, and amendments thereto, shall maintain project
28 accounts in accordance with generally accepted government accounting
29 standards.

30 ~~(d)(c)~~ Municipalities ~~which~~ *that* receive a grant and an allowance
31 under the federal act with respect to project costs for which a loan was
32 provided under K.S.A. 65-3321 through 65-3329, and amendments
33 thereto, shall promptly repay such loan to the extent of the allowance
34 received under the federal act.

35 ~~(e)(d)~~ Any loans received by a municipality under the provisions of
36 K.S.A. 65-3321 through 65-3329, and amendments thereto, shall be
37 construed to be bonds for the purposes of K.S.A. 10-1116 and 79-5028,
38 and amendments thereto, and the amount of such loans shall not be
39 included within any limitation on the bonded indebtedness of the
40 municipality.

41 Sec. 4. K.S.A. 75-2556 is hereby amended to read as follows: 75-
42 2556. (a) The state librarian shall determine the amount of the grant-in-aid
43 each eligible local public library is to receive based on the latest

1 population census figures as certified by the division of the budget.

2 (b) Except as provided by subsection (d), no local public library shall
3 be eligible for any state grants-in-aid if the total amount of the following
4 paragraphs is less than the total amount produced from such sources for
5 the same library for the previous year, based on the information contained
6 in the official annual budgets of municipalities that are filed with the
7 division of accounts and reports in accordance with K.S.A. 79-2930, and
8 amendments thereto:

9 (1) The amount produced by the local ad valorem tax levies for the
10 current year expenses for such library;

11 ~~(2) the amount of moneys received from the local ad valorem tax~~
12 ~~reduction fund for current year expenses for such library;~~

13 ~~(3) the amount of moneys received from taxes levied upon motor~~
14 ~~vehicles under the provisions of K.S.A. 79-5101 et seq., and amendments~~
15 ~~thereto, for current year expenses for such library; and~~

16 ~~(4)~~(3) the amount of moneys received in the current year from
17 collections of unpaid local ad valorem tax levies for prior year expenses
18 for such library.

19 (c) Local public library districts in which the assessed valuation
20 decreases shall remain eligible for state grants-in-aid so long as the ad
21 valorem tax mill rate for the support of such library has not been reduced
22 below the mill rate imposed for such purpose for the previous year.

23 (d) If a local public library fails to qualify for eligibility for any state
24 grants-in-aid under subsection (b), the state librarian shall have the power
25 to continue the eligibility of a local public library for any state grants-in-
26 aid if the state librarian, after evaluation of all the circumstances,
27 determines that the legislative intent for maintenance of local tax levy
28 support for the on-going operations of the library is being met by the
29 library district.

30 (e) The distribution so determined shall be apportioned and paid on
31 February 15 of each year.

32 Sec. 5. K.S.A. 79-1479 is hereby amended to read as follows: 79-
33 1479. (a) (1) On or before January 15, 1992, and quarterly thereafter, the
34 county or district appraiser shall submit to the director of property
35 valuation a progress report indicating actions taken during the preceding
36 quarter calendar year to implement the appraisal of property in the county
37 or district. Whenever the director of property valuation shall determine
38 that any county has failed, neglected or refused to properly provide for the
39 appraisal of property or the updating of the appraisals on an annual basis in
40 substantial compliance with the provisions of law and the guidelines and
41 timetables prescribed by the director, the director shall file with the state
42 board of tax appeals a complaint stating the facts upon which the director
43 has made the determination of noncompliance as provided by K.S.A. 79-

1 1413a, and amendments thereto. If, as a result of such proceeding, the state
2 board of tax appeals finds that the county is not in substantial compliance
3 with the provisions of law and the guidelines and timetables of the director
4 of property valuation providing for the appraisal of all property in the
5 county or the updating of the appraisals on an annual basis, it shall order
6 the immediate assumption of the duties of the office of county appraiser by
7 the director of the division of property valuation until such time as the
8 director of property valuation determines that the county is in substantial
9 compliance with the provisions of law. In addition, the board shall order
10 the state treasurer to withhold all or a portion of the county's entitlement to
11 moneys from ~~either or both of the local ad valorem tax reduction fund and~~
12 ~~the city and county and city revenue sharing fund~~ for the year following
13 the year in which the order is issued. Upon service of any such order on
14 the board of county commissioners, the appraiser shall immediately
15 deliver to the director of property valuation, or the director's designee, all
16 books, records and papers pertaining to the appraiser's office.

17 (2) Any county for which the director of the division of property
18 valuation is ordered by the state board of tax appeals to assume the
19 responsibility and duties of the office of county appraiser shall reimburse
20 the state for the actual costs incurred by the director of the division of
21 property valuation in the assumption and carrying out of such
22 responsibility and duties, including any contracting costs in the event it is
23 necessary for the director of property valuation to contract with private
24 appraisal firms to carry out such responsibilities and duties.

25 (b) (1) On or before June 1 of each year, the director of property
26 valuation shall review the appraisal of property in each county or district
27 to determine if property within the county or district is being appraised or
28 valued in accordance with the requirements of law. If the director
29 determines the property in any county or district is not being appraised in
30 accordance with the requirements of law, the director of property valuation
31 shall notify the county or district appraiser and the board of county
32 commissioners of any county or counties affected that the county has 30
33 days within which to submit to the director a plan for bringing the
34 appraisal of property within the county into compliance.

35 (2) If a plan is submitted and approved by the director, the county or
36 district shall proceed to implement the plan as submitted. The director
37 shall continue to monitor the program to insure that the plan is
38 implemented as submitted. If no plan is submitted or if the director does
39 not approve the plan, the director shall petition the state board of tax
40 appeals for a review of the plan or, if no plan is submitted, for authority for
41 the division of property valuation to assume control of the appraisal
42 program of the county and to proceed to bring the same into compliance
43 with the requirements of law.

1 (3) If the state board of tax appeals approves the plan, the county or
2 district appraiser shall proceed to implement the plan as submitted. If no
3 plan has been submitted or the plan submitted is not approved, the board
4 shall fix a time within which the county may submit a plan or an amended
5 plan for approval. If no plan is submitted and approved within the time
6 prescribed by the board, the board shall order the division of property
7 valuation to assume control of the appraisal program of the county and
8 shall certify its order to the state treasurer who shall withhold distributions
9 of the county's share of moneys from the county and city revenue sharing
10 fund ~~and the local ad valorem tax reduction fund~~ and credit the same to the
11 general fund of the state for the year following the year in which the
12 board's order is made. The director of property valuation shall certify the
13 amount of the cost incurred by the division in bringing the program in
14 compliance to the state board of tax appeals. The board shall order the
15 county commissioners to reimburse the state for such costs.

16 (c) The state board of tax appeals shall, within 60 days after the
17 publication of the Kansas assessment/sales ratio study, review such
18 publication to determine county compliance with K.S.A. 79-1439, and
19 amendments thereto. If, in the determination of the board, one or more
20 counties are not in substantial compliance and the director of property
21 valuation has not acted under subsection (b), the board shall order the
22 director of property valuation to take such corrective action as is necessary
23 or to show cause for noncompliance.

24 Sec. 6. K.S.A. 2023 Supp. 79-2959 is hereby amended to read as
25 follows: 79-2959. (a) There is hereby created the local ad valorem tax
26 reduction fund. All moneys transferred or credited to such fund under the
27 provisions of this act or any other law shall be apportioned and distributed
28 in the manner provided herein.

29 (b) On January 15 and on July 15 of each year, the director of
30 accounts and reports shall make transfers in equal amounts that in the
31 aggregate equal 3.63% of the total retail sales and compensating taxes
32 credited to the state general fund pursuant to articles 36 and 37 of chapter
33 79 of the Kansas Statutes Annotated, and amendments thereto, during the
34 preceding calendar year from the state general fund to the local ad valorem
35 tax reduction fund, ~~except that: (1) No moneys shall be transferred from~~
36 ~~the state general fund to the local ad valorem tax reduction fund during~~
37 ~~state fiscal years 2023, 2024 and 2025; and (2) the amount of the transfer~~
38 ~~on each such date shall be \$27,000,000 during fiscal year 2026 and all~~
39 ~~fiscal years thereafter.~~ All such transfers are subject to reduction under
40 K.S.A. 75-6704, and amendments thereto. All transfers made in
41 accordance with the provisions of this section shall be considered to be
42 revenue transfers from the state general fund.

43 (c) The state treasurer shall apportion and pay the amounts transferred

1 under subsection (b) to the several county treasurers on January 15 and on
2 July 15 in each year as follows: (1) 65% of the amount to be distributed
3 shall be apportioned on the basis of the population figures of the counties
4 certified to the secretary of state pursuant to K.S.A. 11-201, and
5 amendments thereto, on July 1 of the preceding year; and (2) 35% of such
6 amount shall be apportioned on the basis of the equalized assessed tangible
7 valuations on the tax rolls of the counties on November 1 of the preceding
8 year as certified by the director of property valuation.

9 Sec. 7. K.S.A. 79-2960 is hereby amended to read as follows: 79-
10 2960. Each year, the county treasurer shall estimate the amount of money
11 each political subdivision in such county~~—~~, including the county as one
12 such political subdivision~~),~~ will receive from the local ad valorem tax
13 reduction fund. The state treasurer shall *use the most recent available*
14 *information* to advise each county treasurer, prior to June 1 of each year, of
15 the amount of the local ad valorem tax reduction fund of the state that the
16 state treasurer estimates ~~(using the most recent available information)~~ will
17 be paid to such county on January 15 and July 15 of the following year.
18 The county treasurer shall, before June 15 of each year, notify the treasurer
19 of each political subdivision of the estimated amount in dollars of the
20 distributions to be made from the local ad valorem tax reduction fund.
21 Such estimate shall be made in accordance with K.S.A. 79-2961, *and*
22 *amendments thereto.* ~~Each tangible property tax levying political~~
23 ~~subdivision shall set out a local ad valorem tax reduction fund item of~~
24 ~~income for one or more tangible property tax funds of general application~~
25 ~~(excepting bond and interest funds), in its budget for the current year tax~~
26 ~~levies, the amount which the county treasurer has estimated as the share of~~
27 ~~such local ad valorem tax reduction funds to be so credited. The director of~~
28 ~~accounts and reports shall make suitable provision in the budget forms to~~
29 ~~be used by such subdivisions for listing local ad valorem tax reduction~~
30 ~~fund income items.~~

31 Sec. 8. K.S.A. 79-2961 is hereby amended to read as follows: 79-
32 2961. (a) ~~The county clerk shall certify to the county treasurer when~~
33 ~~budgets are made pursuant to K.S.A. 79-2960 and amendments thereto and~~
34 ~~tax levies are filed with the county clerk. Prior to crediting the proper~~
35 ~~amounts under subsection (c) and except as provided in subsection (d) (b),~~
36 the county treasurer shall divide the amount paid by the state treasurer
37 *from the local ad valorem tax reduction fund* to the county treasurer among
38 the county and all other taxing subdivisions of the county except school
39 districts and any incorporated city within which any portion of the Fort
40 Riley military reservation is located and ~~which that~~ *that* would otherwise be a
41 participant in the Riley county allocation, ~~which comply with the~~
42 ~~requirements of this act,~~ in the proportion that the product of the last
43 preceding total tangible tax rate of each subdivision, times its equalized

1 tangible assessed valuation for the preceding year, is to the sum of such
2 products of all the tangible tax-levying political subdivisions, except
3 school districts and any incorporated city within which any portion of the
4 Fort Riley military reservation is located and which would otherwise be a
5 participant in the Riley county allocation, exclusive of the levy by the
6 county for any deficiency for state purposes.

7 ~~(b) No political subdivision shall be entitled to participate in the~~
8 ~~distribution of any money appropriated to carry out K.S.A. 79-2960 and~~
9 ~~amendments thereto and this section unless and until such political~~
10 ~~subdivision has adopted and certified a budget for the ensuing year which~~
11 ~~shows as a separate item the amount of the distribution to one or more tax~~
12 ~~levy funds of general application within such subdivision except bond and~~
13 ~~interest funds and has certified a tax levy for each such fund that will~~
14 ~~produce a sum of money less than the amount which a maximum levy~~
15 ~~would produce for each such fund, in an amount equal to or in excess of~~
16 ~~the amount of such distribution. The budget of each political subdivision~~
17 ~~also shall show that the aggregate levies made by such tangible property~~
18 ~~tax-levying political subdivisions will produce a sum less than the amount~~
19 ~~which the aggregate levy would produce in an amount equal to or in~~
20 ~~excess of the aggregate amount of the budget items of such distribution~~
21 ~~shown in the aggregate levy.~~

22 ~~(e) In crediting the amount that has been divided pursuant to~~
23 ~~subsection (a) or subsection (d), The county treasurer shall proceed as~~
24 ~~follows: Upon receipt of the payment from the state treasurer each year,~~
25 ~~credit the appropriate fund or funds of each political subdivision~~
26 ~~complying with the provisions of this act with its proportionate share of~~
27 ~~such payment and the county treasurer shall notify such political~~
28 ~~subdivision of the amounts so credited. This section and K.S.A. 79-2960,~~
29 ~~and amendments thereto, shall not apply to school districts. *After the*~~
30 ~~*crediting of the July 15 payment, the entire amount credited during the*~~
31 ~~*calendar year to such appropriate fund of each political subdivision shall*~~
32 ~~*be credited by each such political subdivision to residential property*~~
33 ~~*taxpayers in the form of a rebate. Such rebate amount shall be reflected as*~~
34 ~~*a credit on the next ensuing property tax statement of each residential*~~
35 ~~*property taxpayer. Such rebate amount shall be determined by:*~~

36 ~~(1) Dividing the total amount of such payments received by the~~
37 ~~political subdivision during the calendar year by the total assessed~~
38 ~~valuation of all residential property in such political subdivision for the~~
39 ~~current tax year; and~~

40 ~~(2) multiplying the quotient determined under paragraph (1) by the~~
41 ~~assessed valuation of the taxpayer's residential property for the current tax~~
42 ~~year.~~

43 ~~(c) As used in this section, "residential property" means property~~

1 *classified for property tax purposes within subclass (1) of class 1 or*
2 *subclass (1) of class 2 of section 1 of article 11 of the constitution of the*
3 *state of Kansas.*

4 ~~(d) The amount paid by the state treasurer to the county treasurer of~~
5 ~~each county under subsection (d) of K.S.A. 79-2959 and amendments~~
6 ~~thereto, shall be divided only among the one or more community colleges~~
7 ~~or municipal universities, or both, which received amounts under this~~
8 ~~section from the payment made from the local ad valorem tax reduction~~
9 ~~fund on January 15, 1983. The amount received by each such community~~
10 ~~college or municipal university under this subsection shall bear the same~~
11 ~~proportion to the total amount paid to such county under subsection (d) of~~
12 ~~K.S.A. 79-2959 and amendments thereto, as the amount received by such~~
13 ~~community college or municipal university under this section from the~~
14 ~~payment made to such county from the local ad valorem tax reduction~~
15 ~~fund on January 15, 1983, bears to the total amount received by all such~~
16 ~~community colleges and municipal universities under this section from~~
17 ~~such payment.~~

18 Sec. 9. K.S.A. 65-163j, 65-3306, 65-3327, 75-2556, 79-1479, 79-
19 2960 and 79-2961 and K.S.A. 2023 Supp. 79-2959 are hereby repealed.

20 Sec. 10. This act shall take effect and be in force from and after its
21 publication in the statute book.