

Senate Substitute for HOUSE BILL No. 2597

By Committee on Assessment and Taxation

3-21

1 AN ACT concerning property taxation; relating to tax levy rates;
2 establishing a revenue neutral rate complaint process; authorizing the
3 county clerk to limit the amount of ad valorem taxes to be levied in
4 certain circumstances; establishing a deadline for budgets to be filed
5 with the director of accounts and reports; requiring roll call vote and
6 publication of information; relating to classification and valuation; land
7 devoted to agricultural use; definition; agritourism activity and zoos;
8 classifying such land that is subject to the federal grassland
9 conservation reserve program as grassland; relating to exemptions;
10 establishing a property tax exemption for antique utility trailers;
11 relating to assessment; allowing for the proration of value when certain
12 personal property is acquired or sold prior to September 1 of any tax
13 year; amending K.S.A. 79-1476 and 79-2930 and K.S.A. 2021 Supp.
14 79-2988 and repealing the existing sections.

15

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

17 New Section 1. (a) (1) The following described property, to the extent
18 herein specified, is hereby exempt from all property or ad valorem taxes
19 levied under the laws of the state of Kansas: Any antique utility trailer
20 registered pursuant to K.S.A. 8-1,119, and amendments thereto, used
21 exclusively for personal use and not for the production of income.

22 (2) The term "antique utility trailer" includes only those trailers:

23 (A) 30 years or older as determined by the date of manufacture; and

24 (B) having an empty weight of 2,000 pounds or less and a gross
25 weight of not more than 8,000 pounds.

26 (b) The provisions of this section shall apply to all taxable years
27 commencing after December 31, 2022.

28 New Sec. 2. (a) The value for property tax purposes of any tangible
29 personal property classified for property tax purposes within subclass (6)
30 of class 2 of section 1 of article 11 of the constitution of the state of
31 Kansas that is acquired or sold after January 1 and prior to September 1 of
32 any taxable year shall be equal to the value determined therefor pursuant
33 to K.S.A. 79-1456, and amendments thereto, multiplied by: (1) In the case
34 of a sale, a fraction, the numerator of which is the number of months, or
35 major portion thereof, such property was owned by the record owner
36 thereof during the taxable year in which such property was sold and the

1 denominator of which is 12; and (2) in the case of an acquisition, a
2 fraction, the numerator of which is the number of months, or major portion
3 thereof, remaining in the taxable year after the date of acquisition by the
4 record owner thereof and the denominator of which is 12.

5 (b) Notice of the acquisition or sale of any such property shall be
6 provided by the record owner thereof to the appropriate county appraiser
7 on or before December 20 of the year of such acquisition or sale. Upon
8 receipt of such notice, and after computation of the value of any such
9 property in accordance with the provision of subsection (a), a notification
10 or revised notification of value shall be mailed to the taxpayer.

11 (c) Except as provided in subsection (a), tangible personal property
12 classified for property tax purposes within subclass (6) of class 2 of
13 section 1 of article 11 of the constitution of the state of Kansas acquired on
14 or after September 1 of a taxable year shall not be subject to assessment
15 and taxation for such year.

16 (d) The provisions of this section shall apply to all taxable years
17 commencing after December 31, 2022.

18 Sec. 3. K.S.A. 79-1476 is hereby amended to read as follows: 79-
19 1476. The director of property valuation is hereby directed and empowered
20 to administer and supervise a statewide program of reappraisal of all real
21 property located within the state. Except as otherwise authorized by
22 K.S.A. 19-428, and amendments thereto, each county shall comprise a
23 separate appraisal district under such program, and the county appraiser
24 shall have the duty of reappraising all of the real property in the county
25 pursuant to guidelines and timetables prescribed by the director of
26 property valuation and of updating the same on an annual basis. In the case
27 of multi-county appraisal districts, the district appraiser shall have the duty
28 of reappraising all of the real property in each of the counties comprising
29 the district pursuant to such guidelines and timetables and of updating the
30 same on an annual basis. Commencing in 2000, every parcel of real
31 property shall be actually viewed and inspected by the county or district
32 appraiser once every six years.

33 Compilation of data for the initial preparation or updating of
34 inventories for each parcel of real property and entry thereof into the state
35 computer system as provided for in K.S.A. 79-1477, and amendments
36 thereto, shall be completed not later than January 1, 1989. Whenever the
37 director determines that reappraisal of all real property within a county is
38 complete, notification thereof shall be given to the governor and to the
39 state board of tax appeals.

40 Valuations shall be established for each parcel of real property at its fair
41 market value in money in accordance with the provisions of K.S.A. 79-
42 503a, and amendments thereto.

43 In addition thereto, valuations shall be established for each parcel of

1 land devoted to agricultural use upon the basis of the agricultural income
2 or productivity attributable to the inherent capabilities of such land in its
3 current usage under a degree of management reflecting median production
4 levels in the manner hereinafter provided. A classification system for all
5 land devoted to agricultural use shall be adopted by the director of
6 property valuation using criteria established by the United States
7 department of agriculture-~~soil~~ *natural resources* conservation service. For
8 all taxable years commencing after December 31, 1989, all land devoted to
9 agricultural use-~~which~~ *that* is subject to the federal conservation reserve
10 program shall be classified as cultivated dry land for the purpose of
11 valuation for property tax purposes pursuant to this section, *except that for*
12 *all taxable years commencing after December 31, 2022, all land devoted*
13 *to agricultural use that is subject to the federal grassland conservation*
14 *reserve program (CRP grasslands) shall be classified as grassland for the*
15 *purpose of valuation for property tax purposes pursuant to this section.*
16 For all taxable years commencing after December 31, 1999, all land
17 devoted to agricultural use-~~which~~ *that* is subject to the federal wetlands
18 reserve program shall be classified as native grassland for the purpose of
19 valuation for property tax purposes pursuant to this section. Productivity of
20 land devoted to agricultural use shall be determined for all land classes
21 within each county or homogeneous region based on an average of the
22 eight calendar years immediately preceding the calendar year-~~which~~ *that*
23 immediately precedes the year of valuation, at a degree of management
24 reflecting median production levels. The director of property valuation
25 shall determine median production levels based on information available
26 from state and federal crop and livestock reporting services, the-~~soil~~
27 *natural resources* conservation service, and any other sources of data that
28 the director considers appropriate.

29 The share of net income from land in the various land classes within
30 each county or homogeneous region-~~which~~ *that* is normally received by
31 the landlord shall be used as the basis for determining agricultural income
32 for all land devoted to agricultural use except pasture or rangeland. The net
33 income normally received by the landlord from such land shall be
34 determined by deducting expenses normally incurred by the landlord from
35 the share of the gross income normally received by the landlord. The net
36 rental income normally received by the landlord from pasture or rangeland
37 within each county or homogeneous region shall be used as the basis for
38 determining agricultural income from such land. The net rental income
39 from pasture and rangeland-~~which~~ *that* is normally received by the
40 landlord shall be determined by deducting expenses normally incurred
41 from the gross income normally received by the landlord. Commodity
42 prices, crop yields and pasture and rangeland rental rates and expenses
43 shall be based on an average of the eight calendar years immediately

1 preceding the calendar year ~~which~~ *that* immediately precedes the year of
2 valuation. Net income for every land class within each county or
3 homogeneous region shall be capitalized at a rate determined to be the sum
4 of the contract rate of interest on new federal land bank loans in Kansas on
5 July 1 of each year averaged over a five-year period ~~which~~ *that* includes
6 the five years immediately preceding the calendar year which immediately
7 precedes the year of valuation, plus a percentage not less than 0.75% nor
8 more than 2.75%, as determined by the director of property valuation,
9 except that the capitalization rate calculated for property tax year 2003,
10 and all such years thereafter, shall not be less than 11% nor more than
11 12%.

12 Based on the foregoing procedures, the director of property valuation
13 shall make an annual determination of the value of land within each of the
14 various classes of land devoted to agricultural use within each county or
15 homogeneous region and furnish the same to the several county appraisers
16 who shall classify such land according to its current usage and apply the
17 value applicable to such class of land according to the valuation schedules
18 prepared and adopted by the director of property valuation under the
19 provisions of this section.

20 It is the intent of the legislature that appraisal judgment and appraisal
21 standards be followed and incorporated throughout the process of data
22 collection and analysis and establishment of values pursuant to this
23 section.

24 For the purpose of the foregoing provisions of this section, the phrase
25 "land devoted to agricultural use" shall mean and include land, regardless
26 of whether it is located in the unincorporated area of the county or within
27 the corporate limits of a city, ~~which~~ *that* is devoted to the production of
28 plants, animals or horticultural products, including, but not limited to:
29 Forages; grains and feed crops; dairy animals and dairy products; poultry
30 and poultry products; beef cattle, sheep, swine and horses; bees and apiary
31 products; trees and forest products; fruits, nuts and berries; vegetables;
32 *and* nursery, floral, ornamental and greenhouse products. "Land devoted to
33 agricultural use" shall include land established as a controlled shooting
34 area pursuant to K.S.A. 32-943, and amendments thereto, which shall be
35 deemed to be land devoted to agricultural use. "*Land devoted to*
36 *agricultural use*" shall include land that is utilized by zoos that hold a
37 valid class C exhibitor license issued by the United States department of
38 agriculture. "*Land devoted to agricultural use*" shall include land
39 otherwise devoted to the production of plants, animals or horticultural
40 products that is incidentally used for agritourism activity. For purposes of
41 this section, "*agritourism activity*" means any activity that allows
42 members of the general public, for recreational, entertainment or
43 educational purposes, to view or enjoy rural activities, including, but not

1 *limited to, farming activities, ranching activities or historic, cultural or*
2 *natural attractions. An activity may be an "agritourism activity" whether*
3 *or not the participant pays to participate in the activity. An activity is not*
4 *an "agritourism activity" if the participant is paid to participate in the*
5 *activity. If a parcel has land devoted to agricultural purposes and land used*
6 *for suburban residential acreages, rural home sites or farm home sites, the*
7 *county appraiser shall determine the amount of the parcel used for*
8 *agricultural purposes and value and assess it accordingly as land devoted*
9 *to agricultural purposes. The county appraiser shall then determine the*
10 *amount of the remaining land used for such other purposes and value and*
11 *assess that land according to its use.*

12 The term "expenses" shall mean those expenses typically incurred in
13 producing the plants, animals and horticultural products described above,
14 including management fees, production costs, maintenance and
15 depreciation of fences, irrigation wells, irrigation laterals and real estate
16 taxes, but the term shall not include those expenses incurred in providing
17 temporary or permanent buildings used in the production of such plants,
18 animals and horticultural products.

19 The provisions of this act shall not be construed to conflict with any
20 other provisions of law relating to the appraisal of tangible property for
21 taxation purposes including the equalization processes of the county and
22 state board of tax appeals.

23 Sec. 4. K.S.A. 79-2930 is hereby amended to read as follows: 79-
24 2930. (a) Two copies of the budget certificate giving the amount of ad
25 valorem tax to be levied and the total amount of the adopted budget of
26 expenditures by fund, along with itemized budget forms for each and
27 every fund and proof of publication of the notice of budget hearing
28 containing the budget summary shall be presented to the county clerk
29 within the time prescribed by K.S.A. 79-1801, and amendments thereto.
30 ~~Beginning in 2009,~~ All such budget information shall be filed
31 electronically with the county clerk. Where action has been taken under
32 any statute to increase the amount of tax to be levied authorized by law, a
33 statement showing the increased amount or tax levy rate voted, or a copy
34 of the charter resolution or ordinance making the change, shall be attached
35 to the budget each year the change is in effect.

36 (b) The county clerk shall make any reductions to the ad valorem tax
37 to be levied, compute the tax levy rates based on the final equalized
38 assessed valuation, and enter such on the budget certificate before attesting
39 the budget, except that with regard to levies made under K.S.A. 75-2551,
40 and amendments thereto, such levies shall be based upon the certified
41 preliminary abstract of property values submitted to the director of
42 property valuation pursuant to K.S.A. 79-1604, and amendments thereto.
43 *Beginning in 2022, on or before December 31 each year, a copy of all*

1 budgets for taxing subdivisions of the county, properly attested, shall be
2 filed with the director of accounts and reports, along with a copy of the tax
3 levy rate summary ~~required of the county treasurer by K.S.A. 79-2002, and~~
4 ~~amendments thereto. Beginning in 2009,~~ All such budget information shall
5 be filed electronically with the director of accounts and reports.

6 (c) Each fund of the adopted budget certified to the county clerk in no
7 event shall exceed the amount of ad valorem tax to be levied and the
8 proposed expenditures of such fund in the proposed budget as originally
9 published. The governing body of each taxing subdivision shall not certify
10 an amount of ad valorem taxes to be levied that is in excess of any tax levy
11 rate or amount limitations or any aggregate tax levy limitations. The
12 governing bodies, in fixing the amount may take into consideration and
13 make allowance for the taxes which may not be paid, such allowance,
14 however, shall not exceed by more than 5% the percentage of delinquency
15 for the preceding tax year.

16 Sec. 5. K.S.A. 2021 Supp. 79-2988 is hereby amended to read as
17 follows: 79-2988. (a) On or before June 15 each year, the county clerk
18 shall calculate the revenue neutral rate for each taxing subdivision and
19 include such revenue neutral rate on the notice of the estimated assessed
20 valuation provided to each taxing subdivision for budget purposes. The
21 director of accounts and reports shall modify the prescribed budget
22 information form to show the revenue neutral rate.

23 (b) No tax rate in excess of the revenue neutral rate shall be levied by
24 the governing body of any taxing subdivision unless a resolution or
25 ordinance has been approved by the governing body according to the
26 following procedure:

27 (1) At least 10 days in advance of the public hearing, the governing
28 body shall publish notice of its proposed intent to exceed the revenue
29 neutral rate by publishing notice: (A) On the website of the governing
30 body, if the governing body maintains a website; and

31 (B) in a weekly or daily newspaper of the county having a general
32 circulation therein. The notice shall include, but not be limited to, its
33 proposed tax rate, its revenue neutral rate and the date, time and location
34 of the public hearing.

35 (2) On or before July 20, the governing body shall notify the county
36 clerk of its proposed intent to exceed the revenue neutral rate and provide
37 the date, time and location of the public hearing and its proposed tax rate.
38 For all tax years commencing after December 31, 2021, the county clerk
39 shall notify each taxpayer with property in the taxing subdivision, by mail
40 directed to the taxpayer's last known address, of the proposed intent to
41 exceed the revenue neutral rate at least 10 days in advance of the public
42 hearing. Alternatively, the county clerk may transmit the notice to the
43 taxpayer by electronic means at least 10 days in advance of the public

1 hearing, if such taxpayer and county clerk have consented in writing to
2 service by electronic means. The county clerk shall consolidate the
3 required information for all taxing subdivisions relevant to the taxpayer's
4 property on one notice. The notice shall be in a format prescribed by the
5 director of accounts and reports. The notice shall include, but not be
6 limited to:

7 (A) The revenue neutral rate of each taxing subdivision relevant to
8 the taxpayer's property;

9 (B) the proposed property tax revenue needed to fund the proposed
10 budget of the taxing subdivision, if the taxing subdivision notified the
11 county clerk of its proposed intent to exceed its revenue neutral rate;

12 (C) the proposed tax rate based upon the proposed budget and the
13 current year's total assessed valuation of the taxing subdivision, if the
14 taxing subdivision notified the county clerk of its proposed intent to
15 exceed its revenue neutral rate;

16 (D) *the percentage by which the proposed tax rate exceeds the*
17 *revenue neutral rate;*

18 (E) the tax rate and property tax of each taxing subdivision on the
19 taxpayer's property from the previous year's tax statement;

20 ~~(F)~~(F) the appraised value and assessed value of the taxpayer's
21 property for the current year;

22 ~~(F)~~(G) the estimates of the tax for the current tax year on the
23 taxpayer's property based on the revenue neutral rate of each taxing
24 subdivision and any proposed tax rates that exceed the revenue neutral
25 rates;

26 ~~(G)~~(H) the difference between the estimates of tax based on the
27 proposed tax rate and the revenue neutral rate on the taxpayer's property
28 described in subparagraph ~~(F)~~ (G) for any taxing subdivision that has a
29 proposed tax rate that exceeds its revenue neutral rate; and

30 ~~(H)~~(I) the date, time and location of the public hearing of the taxing
31 subdivision, if the taxing subdivision notified the county clerk of its
32 proposed intent to exceed its revenue neutral rate.

33 Although the state of Kansas is not a taxing subdivision for purposes of
34 this section, the notice shall include a statement of the statutory mill levies
35 imposed by the state and the estimate of the tax for the current year on the
36 taxpayer's property based on such levies.

37 (3) The public hearing to consider exceeding the revenue neutral rate
38 shall be held not sooner than August 20 and not later than September 20.
39 The governing body shall provide interested taxpayers desiring to be heard
40 an opportunity to present oral testimony within reasonable time limits and
41 without unreasonable restriction on the number of individuals allowed to
42 make public comment. The public hearing may be conducted in
43 conjunction with the proposed budget hearing pursuant to K.S.A. 79-2929,

1 and amendments thereto, if the governing body otherwise complies with
2 all requirements of this section. Nothing in this section shall be construed
3 to prohibit additional public hearings that provide additional opportunities
4 to present testimony or public comment prior to the public hearing
5 required by this section.

6 (4) A majority vote of the governing body, by the adoption of a
7 resolution or ordinance to approve exceeding the revenue neutral rate,
8 shall be required prior to adoption of a proposed budget that will result in a
9 tax rate in excess of the revenue neutral rate. Such vote of the governing
10 body shall be conducted at the public hearing after the governing body has
11 heard from interested taxpayers *and shall be a roll call vote*. If the
12 governing body approves exceeding the revenue neutral rate, the
13 governing body shall not adopt a budget that results in a tax rate in excess
14 of its proposed tax rate as stated in the notice provided pursuant to this
15 section. *A copy of the resolution or ordinance to approve exceeding the*
16 *revenue neutral rate and a certified copy of any roll call vote reporting, at*
17 *a minimum, the name and vote of each member of the governing body*
18 *related to exceeding the revenue neutral rate, whether approved or not,*
19 *shall be included with the adopted budget, budget certificate and other*
20 *budget forms filed with the county clerk and the director of accounts and*
21 *reports and shall be published on the website of the department of*
22 *administration.*

23 (c) (1) Any governing body subject to the provisions of this section
24 that does not comply with subsection (b) shall refund to taxpayers any
25 property taxes over-collected based on the amount of the levy that was in
26 excess of the revenue neutral rate.

27 (2) *Any taxpayer of the taxing subdivision that is the subject of the*
28 *complaint or such taxpayer's duly authorized representative may file a*
29 *complaint with the state board of tax appeals by filing a written complaint,*
30 *on a form prescribed by the board, that contains the facts that the*
31 *complaining party believes show that a governing body of a taxing*
32 *subdivision did not comply with the provisions of subsection (b) and that a*
33 *reduction or refund of taxes is appropriate. The complaining party shall*
34 *provide a copy of such complaint to the governing body of the taxing*
35 *subdivision making the levy that is the subject of the complaint.*
36 *Notwithstanding K.S.A. 74-2438a, and amendments thereto, no filing fee*
37 *shall be charged by the executive director of the state board of tax appeals*
38 *for a complaint filed pursuant to this paragraph. The governing body of*
39 *the taxing subdivision making the levy that is the subject of the complaint*
40 *shall be a party to the proceeding. Notice of any summary proceeding or*
41 *hearing shall be served upon such governing body, the county clerk, the*
42 *director of accounts and reports and the complaining party. It shall be the*
43 *duty of the governing body to initiate the production of evidence to*

1 *demonstrate, by a preponderance of the evidence, the validity of such levy.*
2 *If upon a summary proceeding or hearing, it shall be made to appear to*
3 *the satisfaction of the board that the governing body of the taxing*
4 *subdivision did not comply with subsection (b), the state board of tax*
5 *appeals shall order such governing body to refund to taxpayers the*
6 *amount of property taxes over collected or reduce the taxes levied, if*
7 *uncollected. The provisions of this subsection paragraph shall not be*
8 *construed as prohibiting any other remedies available under the law.*

9 (d) (1) Notwithstanding any other provision of law to the contrary, if
10 the governing body of a taxing subdivision must conduct a public hearing
11 to approve exceeding the revenue neutral rate under this section, the
12 governing body of the taxing subdivision shall certify, on or before
13 October 1, to the proper county clerk the amount of ad valorem tax to be
14 levied.

15 (2) *If a governing body of a taxing subdivision did not comply with*
16 *the provisions of subsection (b) and certifies to the county clerk an amount*
17 *of ad valorem tax to be levied that would result in a tax rate in excess of*
18 *its revenue neutral rate, the county clerk shall reduce the ad valorem tax*
19 *to be levied to the amount resulting from such taxing subdivision's revenue*
20 *neutral rate.*

21 (e) As used in this section:

22 (1) "Taxing subdivision" means any political subdivision of the state
23 that levies an ad valorem tax on property.

24 (2) "Revenue neutral rate" means the tax rate for the current tax year
25 that would generate the same property tax revenue as levied the previous
26 tax year using the current tax year's total assessed valuation. To calculate
27 the revenue neutral rate, the county clerk shall divide the property tax
28 revenue for such taxing subdivision levied for the previous tax year by the
29 total of all taxable assessed valuation in such taxing subdivision for the
30 current tax year, and then multiply the quotient by 1,000 to express the rate
31 in mills. The revenue neutral rate shall be expressed to the third decimal
32 place.

33 (f) In the event that a county clerk incurred costs of printing and
34 postage that were not reimbursed pursuant to K.S.A. 2021 Supp. 79-2989,
35 and amendments thereto, such county clerk may seek reimbursement from
36 all taxing subdivisions required to send the notice. Such costs shall be
37 shared proportionately by all taxing subdivisions that were included on the
38 same notice based on the total property tax levied by each taxing
39 subdivision. Payment of such costs shall be due to the county clerk by
40 December 31.

41 ~~(g) The provisions of this section shall take effect and be in force~~
42 ~~from and after January 1, 2021. The department of administration or the~~
43 ~~director of accounts and reports shall make copies of adopted budgets,~~

1 *budget certificates, other budget documents and revenue neutral rate*
2 *documents available to the public on the department of administration's*
3 *website on a permanently accessible web page that may be accessed via a*
4 *conspicuous link to that web page placed on the front page of the*
5 *department's website. The department of administration or the director of*
6 *accounts and reports shall also make the following information for each*
7 *tax year available on such website:*

8 *(1) A list of taxing subdivisions by county;*

9 *(2) whether each taxing subdivision conducted a hearing to consider*
10 *exceeding its revenue neutral rate;*

11 *(3) the revenue neutral rate of each taxing subdivision;*

12 *(4) the tax rate resulting from the adopted budget of each taxing*
13 *subdivision; and*

14 *(5) the percent change between the revenue neutral rate and the tax*
15 *rate for each taxing subdivision.*

16 Sec. 6. K.S.A. 79-1476 and 79-2930 and K.S.A. 2021 Supp. 79-2988
17 are hereby repealed.

18 Sec. 7. This act shall take effect and be in force from and after its
19 publication in the statute book.