

SESSION OF 2022

**SUPPLEMENTAL NOTE ON SENATE BILL NO. 318**

As Amended by Senate Committee of the Whole

**Brief\***

SB 318, as amended, would enact a sales tax exemption for certain fencing and would expand the ability of county commissions to abate property taxes on certain types of real property destroyed or substantially destroyed by natural disasters.

The bill would be in effect upon publication in the *Kansas Register*.

***Agricultural Fencing Sales Tax Exemption***

The bill would create a sales tax exemption for purchases necessary to reconstruct, repair, or replace a fence used to enclose agricultural land that was damaged or destroyed by wildfire, flood, tornado, or other natural disaster occurring on or after January 1, 2021.

In order to be eligible for the exemption, the property containing the fence would be required to be located within an area declared to be a disaster by the federal, state, or local government and the purchases would be required to be made within two years of the date of the applicable disaster declaration.

For applicable purchases already made, taxpayers would be entitled to a refund of sales tax upon provision of appropriate documentation.

---

\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Beginning July 1, 2022, the bill would exempt from sales tax all sales of tangible personal property and services necessary to construct, reconstruct, repair, or replace any fence used to enclose agricultural land.

***Disaster Destroyed Property Tax Abatements***

The bill would broaden the authority of county commissions to abate property taxes for all buildings and agricultural improvements listed as real property. County commissions would have the option to abate taxes in situations where such property has been damaged in a gubernatorial-declared disaster and restoration costs would equal or exceed 50 percent of pre-damage market value. An application for an abatement would be required to be filed by December 20 of the year after the natural disaster.

Current law provides for comparable authority for residential homestead properties.

These provisions of the bill would be retroactive to tax year 2019. For natural disasters occurring in 2019 or 2020, applications would be permitted until December 20, 2022.

The bill would also permit county commissions to consider any budgetary restraints of the county or taxing subdivision in evaluating applications for such abatements. Current law limits the consideration to budgetary restraints arising from the event or occurrence declared a disaster by the Governor.

***Effective Date***

The bill would be in effect upon publication in the *Kansas Register*.

## **Background**

The bill was introduced by Senators Bowers, Billinger, and Tyson.

### ***Senate Committee on Assessment and Taxation***

In the Senate Committee hearing, **proponent** testimony was provided by Senator Bowers, representatives of the Kansas Livestock Association and the Russell and Ellsworth County Emergency Management Agency, and a private citizen. Proponents described the nature and extent of damage caused by wildfires in the state on December 15, 2021, and noted the cost to replace fencing that farmers and ranchers incur as a result of that damage. Proponents also noted that previously, Kansas had a similar temporary sales tax exemption in place, most recently in 2017 and 2018. Written-only proponent testimony was provided by the Kansas Attorney General and a representative of Kansas Farm Bureau.

No other testimony was provided.

The Senate Committee amended the bill to insert the contents of 2020 Special Session SB 2, as amended by the Senate Committee on Assessment and Taxation, concerning property tax abatements for disaster-destroyed property, with an additional provision to provide for retroactive applications for abatements.

### ***Senate Committee of the Whole***

The Senate Committee of the Whole amended the bill to clarify provisions concerning disaster destroyed property tax abatements; to give county commissions broader authority to consider budgetary constraints in granting abatements; to expand the availability of the sales tax exemption to fencing destroyed by flood, tornado, or other natural disaster; to limit

the eligibility for the exemption to areas where a disaster had been declared by some level of government; to define wildfire; and to create a sales tax exemption for all fencing materials and services used for enclosing agricultural land.

***Fiscal Information***

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Department of Revenue indicates enactment of the bill is anticipated to reduce state sales tax receipts by \$1.4 million related to the repair and replacement of fencing associated with the December 2021 wildfires. The bill is also anticipated to reduce local sales tax collections by an indeterminate amount.

A fiscal note on the amended bill was not immediately available. Any fiscal effect associated with the bill is not reflected in *The FY 2023 Governor's Budget Report*.

Taxation; natural disaster; sales tax; property tax; wildfire; sales tax exemption; property tax abatements