

SESSION OF 2020

**SUPPLEMENTAL NOTE ON HOUSE SUBSTITUTE FOR
SENATE BILL NO. 125**

As Recommended by House Committee on
Taxation

Brief*

House Sub. for SB 125 would make a number of changes in property tax law relating to the authority of county treasurers and county commissions.

Authority and Duties of County Treasurers

The bill would authorize county treasurers to waive interest and penalty through August 10, 2020, relative to the May 10, 2020, second-half payments of tax year 2019 liability. Such treasurers would be prohibited from waiving interest and penalty for taxpayers who had been delinquent on prior tax payments. The bill also would delay for tax year 2019 only certain statutory dates associated with the preparation and publication of delinquent tax rolls by the treasurers.

The bill would further authorize treasurers to establish partial payments and payment plans for all property taxes. Current law grants treasurers authority to accept partial payment for delinquent property taxes.

*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>

Authority of County Commissions

The bill would, retroactive to tax year 2019, expand the authority of county commissions to abate property taxes on certain types of property destroyed or substantially destroyed by natural disasters.

The bill would broaden the types of eligible property to include certain agricultural improvements, public grain warehouses, and commercial real estate for situations wherein the property has been damaged in a gubernatorial-declared natural disaster and restoration costs would equal or exceed 50 percent of pre-damage market value. Similar authority exists under current law for counties to abate taxes on damaged residential homestead property.

The bill would clarify that counties would have discretion in implementing abatement authority and would not be required to utilize it uniformly for all classes of property or all parcels within any affected type.

Cities, certain taxing units located within cities, school districts, and community junior college districts with 25 percent or more of total parcels damaged would have the ability to object to abatements within 14 days, effectively blocking the abatements relative to their shares of the property taxes imposed.

Background

SB 125, as introduced, would have extended the Rural Opportunity Zone program by five years. The bill was introduced by Senators Hilderbrand, Alley, Baumgardner, Berger, Billinger, Bowers, Doll, Estes, Givens, Goddard, Hawk, Longbine, Masterson, Olson, Petersen, Pyle, Rucker, Skubal, Suellentrop, Taylor, and Wilborn.

At the Senate Committee on Assessment and Taxation hearing on the bill, Senator Hilderbrand and representatives

of the City of Fort Scott and Crawford County Board of Commissioners testified as proponents. Written-only proponent testimony was provided by the Kansas Hospital Association and Pittsburg State University. No opponent or neutral testimony was provided.

The House Committee on Taxation on May 14, 2020, voted to remove the bill's original provisions, insert the provisions of HB 2517 as amended by the House Committee earlier in the session, insert the provisions of Sub. for HB 2607, and add the authorization for county treasurers to waive interest and penalty on delinquent May 10 property taxes in the wake of the COVID-19 crisis.

The fiscal note prepared for the bill as introduced is not applicable to the substitute bill. A fiscal note on the substitute bill was not immediately available.

Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2021 Governor's Budget Report*.

HB 2517 (Abating Taxes on Certain Destroyed Property)

The bill was introduced by Representatives Karleskint, Amyx, Dove, and Horn.

In the House Committee on Taxation hearing on February 13, 2020, Representative Karleskint, representatives of the Kansas Grain and Feed Dealers Association and Kansas Soybean Association, a private citizen from Linwood, and a Leavenworth County Commissioner provided proponent testimony on the bill. Written-only proponent testimony was submitted by Representative Amyx, Representative Horn, the Kansas Association of Counties (KAC), and the Kansas Farm Bureau. No neutral or opponent testimony was provided.

The bill as introduced would have expanded the abatement authority relative to damaged agricultural

improvements. The House Committee amended the bill to also include damaged public grain warehouses and damaged commercial real estate. The House Committee also added the provisions clarifying the authority of counties in implementing the authority and granting the ability of certain taxing units to block the abatement of their portion of property taxes.

According to the fiscal note prepared by the Division of the Budget on the bill as introduced, enactment of HB 2517 would have no fiscal effect on the agency operations of the Department of Revenue or the State Board of Tax Appeals. The KAC and the League of Kansas Municipalities (LKM) indicate the bill has the potential to reduce the amount of local property tax revenues in communities that are affected by a natural disaster; however, a precise estimate of the fiscal effect on local governments could not be determined.

Sub. for HB 2607 (Tax Payment Plans)

The bill was introduced by the House Committee on Taxation at the request of Representative Kelly on behalf of the cities in Montgomery County. As introduced, the bill would have established specific guidelines for counties seeking to authorize installment payment plans for residential property.

At the House Committee hearing on February 20, Representative Kelly appeared as a proponent, as did a representative of the LKM and the Caney City Administrator. A representative of the KAC and the Riley County Treasurer appeared in opposition. Written-only testimony in opposition was submitted by the Kansas County Treasurers Association. No neutral testimony was provided.

On February 24, the House Committee amended the bill to remove its original provisions and to expand the authority of county treasurers in current law to allow for property tax partial payments and payment plans. The Committee recommended a substitute bill be created.

A fiscal note on HB 2607, as introduced, prepared by the Division of the Budget indicated the Department of Revenue did not anticipate any impact on the amount of property taxes collected but noted that the timing of receipts could be affected.