

SESSION OF 2019

SUPPLEMENTAL NOTE ON SENATE BILL NO. 91

As Amended by Senate Committee on
Assessment and Taxation

Brief*

SB 91, as amended, would enact the Golden Years Homestead Property Tax Freeze Act (Act), allow disabled veteran renters to claim the property tax refunds under the current Homestead Property Tax Refund Act(Homestead) program for tax year 2019 and thereafter, and increase current Kansas standard deduction amounts for individual income taxpayers.

Property Tax Circuit Breaker Provisions

The bill would establish a new property tax circuit breaker refund program (refund program) beginning in tax year 2019 that would provide refunds of a portion of property taxes paid on qualifying residential homestead property equivalent to the total property tax increase over the base year. For taxpayers qualifying at the time of enactment, tax year 2018 liability would be deemed as the base year. For all other taxpayers, the base year would be the first year in which they are eligible to claim the refund provided by the Act.

In order to qualify for the refund program, the bill would require taxpayers to have a household income of less than \$50,000 and be 65 years of age or older or a disabled veteran. The value of the qualifying residential homestead property also would have to be less than \$350,000. Qualifying taxpayers would be ineligible to claim a Golden Years refund

*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>

if they are seeking to claim either of the two existing circuit breaker programs: the Homestead Property Tax Refund or the Selective Assistance for Effective Senior Relief (SAFESR) Refund. The bill would allow surviving spouses of qualified individuals to continue in the Golden Years program unless they subsequently remarry. Golden Years claims would be required to be filed by April 15, relative to refund amounts determined by the previous property tax year's liability.

Under the bill, disabled veterans would include Kansas residents honorably discharged from active service in any branch of the armed forces of the United States or Kansas National Guard who have been determined to have a 50 percent permanent disability sustained while on active duty.

Beginning with the second year of the program, the Director of Taxation would be required to send county clerks electronic records by October 15 of each year containing names of eligible claimants who have received refunds under the Act for the prior year.

Under the bill, the Director of Taxation would have authority to apply refunds to any state tax liability of the qualified individual or other member of the household. Remaining refunds would first be applied to any delinquent property taxes on the homesteads and then to any current property tax liability.

The bill would grant the Secretary of Revenue broad authority to adopt rules and regulations necessary for administration of the Act.

The bill would also allow disabled veterans who are renters to claim refunds under the current Homestead program under the statutory presumption that 15 percent of qualifying rental payments would be deemed the equivalent of property taxes paid for purposes of that program. (*Note:* Legislation enacted in 2012 had removed all renters from the Homestead program.)

Individual Income Tax Provisions

The bill would increase Kansas standard deduction amounts for individual income tax purposes beginning in tax year 2019. The bill would increase a single filer's standard deduction from \$3,000 to \$3,500, married taxpayers filing jointly from \$7,500 to \$8,500, and head of household filers from \$5,500 to \$6,000.

Background

The bill was introduced by Senators Hollland, Baumgardner, Doll, Faust-Goudeau, Haley, Hawk, Lynn, Pettey, and Sykes.

During the Senate Committee on Assessment and Taxation hearing on February 14, Senator Holland appeared as the lead proponent. Other proponents included Senators Baumgardner and Faust-Goudeau, representatives of the Kansas Association of Realtors and the Kansas Silver Haired Legislature, and two private citizens. The Sedgwick County clerk submitted written-only testimony in opposition to the bill. Written-only neutral testimony was submitted by representatives of the AARP, Johnson County Board of County Commissioners, Kansas Association of Counties, and the League of Kansas Municipalities.

The bill, as introduced, would have prevented taxpayers with homesteads subject to mortgages or other security interests from qualifying for refunds under the Golden Years program; and would have restored the ability of all renters otherwise qualified under the income and demographic tests to claim traditional Homestead refunds. On February 25, the Senate Committee amended the bill to remove the prohibition against property subject to liens being eligible for Golden Years refunds; and to limit the restoration of Homestead refunds to only those renters who are disabled veterans. On March 22, the Senate Committee also amended the bill to include the standard deduction increase provisions.

On March 22, a representative of the Department of Revenue stated the bill, as amended, would be expected to have the following impact on State General Fund receipts.

(DOLLARS IN MILLIONS)

	<u>FY '20</u>	<u>FY '21</u>	<u>FY '22</u>
Golden Years Refunds \$	(4.5)	\$ (9.1)	\$ (13.6)
Homestead Refunds	(0.5)	(0.5)	(0.5)
Standard Deductions	<u>(44.3)</u>	<u>(34.4)</u>	<u>(34.7)</u>
Total	<u>\$ (49.3)</u>	<u>\$ (44.0)</u>	<u>\$ (48.8)</u>

Note: Totals may not add due to rounding.

Administrative costs associated with the bill, as amended, were not immediately available.