

Kansas taxing subdivisions,

In March 2021, the Kansas Legislature passed Senate Bill (SB) 13 to establish limitations on ad valorem property tax levies by taxing subdivisions without an additional notice and hearing prior to budget adoption. Subsequently, Senate Substitute for House Bill 2104 was passed to amend the timelines in SB 13. SB 13 is retroactively effective January 1, 2021. The change in policy applies to the 2022 budget cycle.

The bill repeals the tax lid law and computed tax limits imposed by KSA 79-2925b and KSA 79-2925c. Alternatively, the bill introduces the use of a “revenue neutral rate”, defined as the amount of ad valorem tax revenue levied in the prior year over the current year assessed valuation estimates, expressed as a mill. County clerks are responsible for computing and providing the rate to taxing subdivisions with the budget information estimates by June 15th.

Who does SB 13 apply to?

Taxing subdivisions have been defined by the bill as “any political subdivision of the state that levies an ad valorem tax on property”. Recreation commissions are considered a taxing subdivision for the purpose of SB 13.

What impact does SB 13 have to Kansas taxing subdivisions?

Taxing subdivisions cannot levy above the revenue neutral rate (RNR) without holding a Revenue Neutral Rate Hearing for tax payers to attend and provide feedback. At the end of the RNR hearing, the governing body of the taxing subdivision will publicly vote to pass a resolution to exceed the RNR for the upcoming budget year.

If the subdivision fails to hold the RNR hearing, the subdivision should consider the RNR as a mill rate cap. County clerks are encouraged (not required) to cap the subdivision’s ad valorem property tax levy at the RNR. If the taxing subdivision levies above the RNR without holding the required hearing and passing a resolution, the taxing subdivision would be required to refund all tax payers any amount levied above the RNR.

What is the timeline for the RNR hearing procedure?

By **July 20th** of each budget year, taxing subdivisions will notify their county clerk of their intent to exceed the RNR by providing the county clerk the proposed tax rate and the RNR hearing information. *Note: At a minimum, the subdivision’s budget should be complete for any fund receiving ad valorem property tax.*

Beginning in 2022, county clerks will notify via mail (or email if electronic communication has been requested by the tax payer) all tax payers of the revenue neutral rate hearings and levy changes impacting their property. The notification will include on one notice, among other things, all taxing subdivisions within the county that affect the tax payer’s property. For calendar years 2022 and 2023, the State of Kansas will reimburse county clerks the cost of the mailed notice. In subsequent years, the cost will be proportionately divided between taxing subdivisions holding a RNR hearing.

Between **August 20th and September 20th**, taxing subdivisions will hold their RNR hearing. The subdivision will be required to publish the hearing to the newspaper and subdivision website (if maintained) 10 days prior to the hearing date. Tax payers must be given the opportunity to speak without unreasonable restriction. At the end of the RNR hearing, the governing body of the taxing subdivision will vote to pass a resolution to levy above the RNR. *Note: The RNR hearing can be held in conjunction with the normal budget hearings, but the budget cannot be adopted prior to holding the RNR hearing.*

By **October 1st**, any taxing subdivision that chose to exceed the RNR will provide the county clerk with their adopted budget and required forms, including the published notice of RNR hearing and adopted resolution to exceed the RNR.

What is the risk of not holding the RNR Hearing?

The taxing subdivision cannot levy above the RNR.

If the taxing subdivision adopts a budget that does not exceed the RNR, the subdivision should contact the county clerk to prepare for valuation decreases from the June 15th property valuation estimates to the November 1st property valuations certified to the county clerk. If property valuations decrease from June 15th to November 1st, the taxing subdivision would realize less dollars than budgeted.

If the taxing subdivision levied higher than the RNR, the legislation requires refunds to tax payers in any amount levied above the RNR.

Is the budget submission date the same for subdivisions not exceeding the RNR?

Subdivisions that have opted to levy below the RNR will certify their adopted budget to the county clerk by August 25th. See the full timeline below.

Other tips:

- Contact the newspaper for content submission date and format requirements. Ensure you have the correct contact information and due dates for the RNR hearing notice. After 2021, the subdivision will not be able to reschedule the hearing (since taxpayers will be notified via mail, the hearing date cannot move).
- Holding a RNR hearing will protect the budget from unintended revenue decreases if property valuations decrease. To ensure the subdivision can levy the dollars budgeted, the subdivision should hold the RNR hearing – even if the intention is to remain revenue neutral.
- With the RNR hearing notice to the county clerk being July 20th, taxing subdivisions should have the budget completed for funds that receive ad valorem property tax revenue by July 20th or sooner.
- Additional Resources:
 - The full bill text and history can be found on the Kansas Legislature website at www.kslegislature.org
 - Check the Municipal Services website for additional guidance and FAQs, sample language, sample publications, etc. <https://admin.ks.gov/offices/oar/municipal-services>

- See the infographic summarizing SB 13 and HB 2104 designed by the League of Kansas Municipalities:
https://cdn.ymaws.com/www.lkm.org/resource/resmgr/files/infographics/SB_13_Infographic_v3.pdf
- School districts are encouraged to contact Kansas Department of Education with questions regarding the budget and RNR.

Timeline if Exceeding the Revenue Neutral Rate

- **June 15th:** Assessed property valuation estimates distributed from County Clerks (will include the Revenue Neutral Rate)
- **July 20th:** Last day to notify County Clerk of intent to levy above RNR
 - Clerk should be provided proposed tax rate and RNR hearing information (date, time, location)
 - Beginning in 2022, County Clerk will notify tax payers via mail/email of all taxing subdivisions exceeding RNR
- **August 20th – September 20th:** Hold RNR hearing prior to or in conjunction with budget hearing
 - Publication of hearing must be done 10 days prior to RNR hearing
 - Publish in newspaper and website (if website is maintained)
- **August 20th – September 20th:** Hold budget hearing
 - Publication of hearing must be done 10 days prior to budget hearing
- **August 20th – October 1st:** Governing body passes resolution to exceed RNR (if applicable) and formally adopts budget
- **August 30th – October 1st:** Governing body certifies budget to County Clerk

Timeline if not Exceeding the Revenue Neutral Rate

- **June 15th:** Assessed property valuation estimates distributed from County Clerks (will include the Revenue Neutral Rate)
- **By August 4th:** Publish Notice of Budget Hearing in newspaper
- **By August 15th:** Hold budget hearing at least 10 days after published Notice of Budget Hearing
- **August 15th – 25th:** Governing body formally adopts budget
- **August 25th:** Governing body electronically submits budget to County Clerk

Feel free to contact Municipal Services at ARMunis@ks.gov with questions regarding SB 13.

Sincerely,

Municipal Services