

SESSION OF 2021

**SUPPLEMENTAL NOTE ON SENATE SUBSTITUTE FOR
HOUSE BILL NO. 2239**

As Recommended by Senate Committee on
Assessment and Taxation

Brief*

Senate Sub. for HB 2239 would create the Golden Years Homestead Property Tax Freeze Program (refund program) and amend law regarding net operating losses.

Golden Years Homestead Property Tax Freeze Program

The bill would establish a new property tax circuit breaker refund program beginning in tax year 2020 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 2019 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 refund program. The refund would be the amount of property tax in excess of the base year amount. The maximum amount of any refund under the program would be \$2,500.

In order to qualify for the refund program, the bill would require a taxpayer to have a household income of less than \$75,000 and be 65 years of age or older or a disabled veteran. The household income threshold would be annually adjusted according to the federal cost-of-living adjustment provided for in Section 1(f)(3) of the Internal Revenue Code.

*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>

The value of the qualifying residential homestead property would have to be less than \$485,000. Qualifying taxpayers would be ineligible to claim a refund if they are seeking to claim the existing Homestead Property Tax Refund or Selective Assistance for Effective Senior Relief Refund. The bill would allow surviving spouses of qualified individuals to continue in the refund program unless they subsequently remarry. The bill would require refund program claims to be filed by April 15 for 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 the 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 1 of each year containing names of eligible claimants who have received refunds under the refund program for the prior year.

The bill would authorize the Director of Taxation 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 homestead and then to any current property tax liability.

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

The bill also would incorporate the existing Homestead Property Tax Refund into the refund program and name the resulting program the Golden Years Homestead Property Tax Freeze Program.

Net Operating Loss Carry Forward

The bill would allow Kansas income taxpayers to carry forward net operating losses indefinitely, beginning with such losses incurred in tax year 2018. Current law provides for net operating losses to be carried forward for ten years.

Background

The bill was introduced by the House Committee on Taxation at the request of a representative of T-Mobile.

House Committee on Taxation

In the House Committee hearing, **proponent** testimony was provided by representatives of the Kansas Chamber of Commerce, T-Mobile, and the Wichita Regional Chamber of Commerce. Written-only **proponent** testimony was provided by a representative of the Kansas Agribusiness Retailers Association, the Kansas Grain and Feed Association, and Renew Kansas Biofuels Association and a representative of the National Federation of Independent Business. Proponents stated a longer carry forward period would more effectively allow taxpayers to account for business expenses and remove a competitive disadvantage for job creation and capital investments in Kansas as compared with other states.

No other testimony was provided.

The House Committee adopted an amendment to allow losses to be carried forward indefinitely, as opposed to 20 years as in the bill as introduced.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by representatives of the Kansas Chamber of Commerce and T-Mobile. Written-only **proponent** testimony

was provided by a representative of the Kansas Agribusiness Retailers Association, the Kansas Grain and Feed Association, and Renew Kansas Biofuels Association, and a representative of the National Federation of Independent Business. Proponents stated an unlimited carry forward period would allow taxpayers to account for business expenses that are not necessarily linked to any number of tax years.

No other testimony was provided.

The Senate Committee amended the bill to insert provisions to establish the Golden Years Homestead Property Tax Freeze Program, which had been introduced as SB 76.

In the Senate Committee hearing on SB 76, **proponent** testimony was offered by Senators Holland, Peck, and Pittman, a representative of the Kansas Association of Counties and a private citizen. Written-only **proponent** testimony was offered by Senator Petersen, a representative of the Kansas Association of Realtors, and two private citizens. Proponents stated the bill would make property tax bills more affordable for senior citizens.

Opponent testimony was offered by a representative of the Kansas Chamber of Commerce, stating the bill would mask the true cost of property taxes and result in property tax shifts.

Written-only neutral testimony was offered by a representative of the Kansas Policy Institute.

Fiscal Information

SB 2239 (Net Operating Losses)

According to the fiscal note prepared by the Division of the Budget on SB 2239, as introduced, the Department of

Revenue indicates enactment of the bill would result in a reduction of State General Fund revenues of approximately \$1.9 million per fiscal year beginning in FY 2029 or FY 2030.

The Department of Revenue indicates the House Committee amendment to the bill would result in the annual \$1.9 million reduction in revenues becoming permanent for all years after FY 2029 or FY 2030.

SB 76 (Golden Years Homestead Property Tax Freeze Program)

According to information from the Department of Revenue that was provided during debate on SB 76, enactment of the bill would result in estimated revenue reductions of \$30.1 million in FY 2022, \$29.1 million in FY 2023, and \$38.9 million in FY 2024.

Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2022 Governor's Budget Report*.

Taxation; income tax; property tax; net operating loss carryforward; Golden Years Homestead Property Tax Freeze Program