

SESSION OF 2016

**SECOND CONFERENCE COMMITTEE REPORT BRIEF  
SENATE SUBSTITUTE FOR HOUSE BILL NO. 2088**

As Agreed to April 28, 2016

**Brief\***

Senate Sub. for HB 2088 would accelerate by one year (from January 1, 2018, to January 1, 2017) the effective date of a tax lid for cities and counties, originally approved in 2015 legislation. Under the tax lid provisions, increases in property tax dollars levied beyond the rate of inflation generally require voter approval, except that certain types of property tax increases are exempt from the computation involved in determining whether mandatory elections are necessary.

Clarifying language would stipulate that the inflation measure utilized would be a five-year rolling average, and under no circumstances could a figure be utilized of less than zero.

A number of exemptions enacted in the 2015 law also would be modified. Under the new language, exemptions would apply for property tax increases attributable to:

- Construction of new structures, improvements, remodeling or renovation of existing structures, or improvements on real property, exclusive of ordinary maintenance or repair;
- Increased personal property valuation;
- Real property located within added jurisdictional territory;

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- Real property that has changed in use;
- Certain bond and interest payments;
- Certain special assessments;
- Court judgments or settlements of legal actions against the cities or counties, as well as legal costs directly related to such judgments or settlements;
- Expenditures specifically mandated by federal or state law becoming effective after July 1, 2015; Additional language would clarify that the exemption would apply to taxes levied to recover the loss of fund from federal sources after January 1, 2017, where local units are contractually obligated to provide services;
- Expenses relating to certain federal, state, or local disasters or emergencies declared by a federal or state official (including certain financial emergencies); Boards of county commissioners could request the Governor to declare such disaster or emergency;
- Expenditures used exclusively for increased law enforcement, fire protection or emergency medical services above the rate of inflation. Such expenditures could not be utilized for the construction or remodeling of buildings;
- Principal and interest on state infrastructure loans, bonds, temporary notes, no-fund warrants, and certain payments made to public building commissions and lease payments;
- Expiration of property tax abatements;
- Expiration of tax increment financing districts, rural housing incentive districts, neighborhood revitalization areas, or other property tax rebate or redirection programs; and

- Certain increases associated with the loss of property valuation occurring as a result of legislative action, judicial action, or Board of Tax Appeals rulings.

An additional exemption from the mandatory election requirements would apply when property tax dollars levied have declined in one of the three preceding years and the proposed increase for the upcoming year does not exceed the average rate of inflation for the three preceding years.

Finally, certain property tax increases would be excluded from the computation relative to levies made by cities and counties on behalf of other subordinate political or governmental subdivisions when cities and counties are not empowered to modify or reduce such levies.

Language relative to tax-lid elections that would be triggered would clarify such elections could occur as special elections, as part of regularly scheduled elections held in August or November of election years, or as elections held pursuant to the provisions of the Mail Ballot Election Act (MBEA). An existing MBEA restriction would be relaxed to authorize cities and counties to hold tax-lid related elections under the MBEA on the same day. Cities and counties would be responsible for paying all costs associated with conducting tax-lid elections.

Several statutory dates relating to the transmission of assessed valuation estimates and certification of tax rolls by local officials would be adjusted to accommodate those cities and counties subject to the election requirements.

### **Conference Committee Action**

The second Conference Committee on April 28 agreed to make a number of further adjustments to tax lid exemption provisions negotiated by several stakeholders, and to clarify that the inflation measure utilized generally would be based on a five-year rolling average.

## **Background**

As approved by the House during the 2015 Session, the bill concerned citations issued for violations of the Liquor Control Act and the Club and Drinking Establishment Act.

The Senate Assessment and Taxation Committee, on March 17, 2016, stripped the bill of its prior contents, recommended a substitute bill be created, and inserted the property tax lid provisions.

The Senate Committee of the Whole on March 22 clarified with a technical amendment that the tax lid would apply to all cities; removed an exemption that would have applied for property tax increases as a result of the expiration of certain property tax abatements and various property tax rebate and redirection programs; and added the exemption for certain increases attributable to costs for law enforcement, fire protection and emergency medical services.

The subject matter of the property tax lid was contained originally in SB 316, which was the subject of extensive hearings and discussion in Senate Committee. A number of changes in that bill were recommended by a representative of the Kansas Association of Realtors after discussions with other interested parties. SB 316 would have accelerated the effective date of the tax lid to 2016 and would have made different changes in law relative to exemptions. Additional provisions in Senate Sub. for HB 2088 not found in SB 316 relate to the specific circumstances under which cities and counties could hold tax-lid elections.

A fiscal note on the substitute bill was not immediately available.

property tax lid

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