

## MEMORANDUM

**TO:** All County Appraisers, County Clerks, County Commissioners, County Treasurers and County Registers of Deeds

**FROM:** Roger Hamm, Deputy Director, Division of Property Valuation

**DATE:** July 19, 2017

**SUBJECT:** 2017 Legislative Summary

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The 2017 Legislative Summary centers on 1) Senate Bill 19 and 2) House Bill 2212. Both bills will go into effect July 1, 2017, with most provisions impacting the 2018 calendar/tax year. Below is a brief overview of the pertinent 2017 legislative changes, followed by a more detailed discussion of each change.

### Brief Summary

1. **New Redevelopment District Exemption** – for real and personal property within a former federal enclave (Example of federal enclave – deactivated ammunitions plant near Parsons in Labette County).
2. **Exemption Procedure** – county appraiser has discretion to exempt from property tax:
  1. Property belonging exclusively to the United States.
  2. Property acquired by a city or county land bank.
  3. Recreational vehicles owned by a Kansas resident full-time military service member.
3. **Pipeline Exemption Procedure** – owners of qualifying pipelines make initial request for exemption within two years of the date that construction began.
4. **20 Mill Statewide School Levy** – reauthorized for school years 2017-2018 and 2018-2019.
5. **Capital Outlay Fund Levy for Schools**
  - a. Not exempt within an economic development exemption (IRBX/EDX).
  - b. Not included in the distribution of a payment in lieu of taxes from IRBX property.
  - c. Excluded from the definition of real property when relating to a redevelopment district established on or after July 1, 2017 or bioscience development district.
  - d. Excluded from the definition of “increment” for purposes of the Neighborhood Revitalization Act.
6. **\$20,000 Residential Exemption** – extended for tax years 2017 and 2018.

## Analysis of Each Change

### **1. New Redevelopment District Exemption – *House Bill 2212 New § 1***

New section 1 provides for an exemption from property tax for real and personal property owned by a redevelopment authority established pursuant to K.S.A. 19-4901 et seq. that is located in a redevelopment district within a former federal enclave and is leased to a business used exclusively for at least one of the following purposes:

- 1) Manufacturing articles of commerce;
- 2) Conducting research and development;
- 3) Processing and storing goods or commodities that are sold or traded in interstate commerce.

K.S.A. 19-4901 et seq. governs the establishment of a redevelopment district in a federal enclave. The board of county commissioners of Johnson County or the board of county commissioners of Labette County, by resolution, may establish a redevelopment district to cover all or part of the property located within a federal enclave in Johnson and Labette Counties. K.S.A. 19-4901; K.S.A. 19-4902.

Pursuant to K.S.A. 19-4904, the board of county commissioners of Johnson County or the board of county commissioners of Labette County may create a redevelopment authority composed of seven members appointed by the board of county commissioners. Powers conferred on the redevelopment authority may be exercised only with the approval of the board of county commissioners.

A redevelopment authority may file a request for this property tax exemption with the Board of Tax Appeals, only with approval of the board of county commissioners by resolution.

Exemptions from property tax granted by the Board of Tax Appeals will be in effect for not more than 10 calendar years after:

- 1) the calendar year in which the business commences its operations or
- 2) the calendar year in which the expansion of an existing business is completed.

### **2. Exemption Procedure – *House Bill 2212 § 5 amending K.S.A. 2016 Supp. 79-213(l)***

K.S.A. 2016 Supp. 79-213(l) was amended to no longer require a Board of Tax Appeals order exempting the property listed below unless the county appraiser is in doubt as to whether the property qualifies for exemption. (See Directive No. 92-025)

This allows the county to exempt from property tax the following property:

- 1) Property belonging exclusively to the United States and exempt from property taxation by K.S.A. 79-201a *First*.
- 2) Property acquired by a city or county land bank exempt from property taxation pursuant to K.S.A. 12-5909 or K.S.A. 19-26,111.

- 3) A Recreational Vehicle (RV) – titled vehicle(s) when at the time of application for registration (K.S.A. 79-5121(e)):
  - a. The individual claims Kansas as his/her permanent resident state with the military;
  - b. The individual’s name is shown on the title as the legal owner of the vehicle(s);
  - c. The individual is in the full-time military service of the United States;
  - d. The individual is absent from Kansas in compliance of military orders and the vehicle(s) is maintained *outside* Kansas *on the date of* application for registration of the vehicle(s).

3. **Pipeline Exemption Procedure** – *House Bill 2212 § 5 amending K.S.A. 2016 Supp. 79-213*

A new provision was added as subsection (o) to K.S.A. 2016 Supp. 79-213 which provides that no property tax exemption authorized by K.S.A. 79-227 (new qualifying pipelines) be granted unless the owner files an initial request for exemption with the Board of Tax Appeals within two years of the date in which construction began. This requirement would apply to requests filed after June 30, 2017.

4. **20 Mill Statewide School Levy** – *Senate Bill 19 New § 14*

The 20 mill statewide school levy was reauthorized for school years 2017-2018 and 2018-2019. Proceeds from this levy are to be remitted to the state treasurer. The state treasurer will credit the entire amount in the state school district finance fund.

5. **Capital Outlay Fund Levy for Schools**

- a. *Senate Bill 19 New § 52* – Economic Development exemptions include exemptions provided to certain business property for up to 10 years pursuant to:
  - 1) Article 11, Section 13 of the Kansas Constitution (by virtue of being a new business or an expansion of a business that created new employment when the property is used exclusively for manufacturing, storing goods traded in interstate commerce or research or development); OR
  - 2) K.S.A. 79-201a *Second or Twenty-Fourth* (by virtue of the property being funded with industrial revenue bonds).

New section 52 provides that any new property tax exemption granted after July 1, 2017 by the Board of Tax Appeals for these exemptions is **not exempt from the property tax levied for the capital outlay fund by a school district** pursuant to the provisions of K.S.A. 72-8801 and amendments thereto. This provision does not apply to exemptions granted in cases where the respective associated resolution was approved or public hearing was conducted prior to May 1, 2017. Previously exempted property would continue to be eligible for exemption from the school capital outlay levy.

- b. *Senate Bill 19 § 55 amending K.S.A. 2016 Supp. 12-1742* – For property funded by industrial revenue bonds and exempt from property tax by the Board of Tax Appeals and where payment in lieu of taxes are made, **no** distribution is made to the school capital outlay fund by the county treasurer effective July 1, 2017. Any payment in lieu of taxes will be divided among the taxing subdivisions in the same proportion that the amount of the total levy of each individual taxing subdivision bears to the aggregate of such levies of all the taxing subdivisions among which the division is to be made but **does not** include the school capital outlay levy. The reasoning behind this amendment may be as a result of the new section 52 which now provides for the school district capital outlay tax be remitted on newly exempted property.

- c. *Senate Bill 19 § 56 amending K.S.A. 2016 Supp. 12-1770a(m)* – Section 56 makes two exclusions from the definition of “real property taxes.”
  - 1) The first excludes the property tax from the school capital outlay levy when relating to a redevelopment district established on or after July 1, 2017 and bioscience development district. In a redevelopment district established on or after July 1, 2017 or a bioscience development district, the entire capital outlay levy will be deposited in the capital outlay fund of the school district.
  - 2) The second is the 20 mill statewide school levy when relating to a bioscience development district. In the case of a bioscience development district, both the 20 mill school levy and the capital outlay levy will be distributed to the school district.
- d. *Senate Bill 19 § 59 amending K.S.A. 12-17,115(e)* – excludes any taxes levied by school districts for capital outlay from the definition of “increment” for purposes of the Neighborhood Revitalization Act. Should a school district agree to participate in a neighborhood revitalization program through an interlocal agreement, the capital outlay portion of the school district tax would not be refunded to the taxpayer.

**6. \$20,000 Residential Exemption - *Senate Bill 19 § 103 amending K.S.A. 2016 Supp. 79-201x***

The exemption from the 20 mill statewide school levy for up to \$20,000 of a residential property’s value was reauthorized for tax years 2017 and 2018.