

SESSION OF 2002

## SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2396

As Amended by House Committee of the Whole

### **Brief\***

HB 2396, as amended, would provide a limitation on the annual growth in appraised valuation for property tax purposes for certain property which is subject to the fair market valuation provisions of KSA 79-503a. The growth in appraised valuation of most such property would be limited to the average percentage change in the appraised valuation of the property over the five previous years. Appraised valuation for property for which the valuation has been established for less than five years would be limited to the average percentage change over the appropriate number of years. The valuation of new or newly improved real estate in its initial year of valuation would be required to be based upon the valuation of other similar property which has been subject to the appraised valuation limitation.

### **Background**

The original bill related to only valuation growth limitation. The House Taxation Committee amended the bill in the 2001 Session to include a proposed change in the capitalization rate relative to the use valuation of agricultural land. The House Committee of the Whole amended the bill during the 2001 Session to include other provisions relating to expansion of the school district homestead property tax exemption; a budget limitation for local units of government; and property tax deferral for residential property owned and occupied by persons 65 years of age or older. The bill was then rereferred to the House Taxation Committee. During the 2002 Session, that committee struck all 2001 amendments before passing the bill out favorably. The original valuation growth limitation would have been set at the rate of inflation for the 12-month period ending on August 31 of the previous

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\*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/cgi-bin/fulltext/bills.cgi>

year. The House Committee of the Whole amended the bill during the 2002 Session to change the valuation growth limitation to the five-year average basis.

The bill would be expected to have a fiscal impact to the extent a reduced growth rate in the statewide tax base relative to current projections would reduce (1) local effort produced by the mandatory school district general fund property tax levy; and (2) the amount of revenue produced by the state building fund property tax levies. Estimates of these impacts are not immediately available.