

SESSION OF 2004

SUPPLEMENTAL NOTE ON SENATE BILL NO. 520

As Amended by House Committee on
Economic Development

Brief*

SB 520 would create the Kansas Downtown Redevelopment Act. The Secretary of Commerce would approve applications from cities for the designation of downtown redevelopment areas that will also receive a rebate of property tax collected on the properties which have undergone approved improvements. The criteria the Secretary would use when reviewing the applications includes:

- ! The proposed redevelopment area is located in a well-defined, core commercial district of the city;
- ! The structures located within the proposed redevelopment area have a vacancy rate that exceeds 15 percent; or
- ! The average appraised valuation of the properties located within the proposed area has not increased by more than 15 percent in the past 10 years.

The property owner would be required to submit a written application to the governing body of the city to request the rebates. The real property approved for the tax rebates would be assessed and taxed as if it had not been approved. A rebate for five years would be made available to the property owner of the incremental tax increase between the base year, prior to the improvements, and the new assessed evaluation. During the sixth year, 80 percent of the tax increment would be subject to rebate. For the seventh, eighth, and ninth years, the percentage of the tax increment that would not be subject to rebate would be a 20 percent increase per year. Finally, in the tenth year, no rebate would be awarded.

*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>

Background

Proponents for the bill included Senator Jordan, representatives of the Kansas Department of Commerce, League of Kansas Municipalities, and The American Institute of Architects.

The Senate Committee amended the bill by changing the tax benefit, *i.e.*, not paying the incremental tax, to a rebate program after the League of Kansas Municipalities raised the issue that a tax benefit could “run afoul of the uniform and equal provisions of the Kansas Constitution.”

The House Committee amended the bill by changing the term abatement of real property tax to rebate of real property tax.

The fiscal note states that the Department of Revenue estimates that the bill would not significantly reduce revenues. The Department of Commerce indicates that the enactment of the bill would have a negligible effect on its operations.