

SESSION OF 2004

SUPPLEMENTAL NOTE ON SENATE BILL NO. 521

As Amended by Senate Committee on
Assessment and Taxation

Brief*

SB 521, as amended, would expand retroactive to tax year 2000 a property tax exemption for business aircraft to replace a requirement that the aircraft be “actually and regularly used exclusively” to earn income for owners with a requirement that the aircraft be used “predominantly” for such purpose. “Predominantly” would be defined to mean at least 80 percent of the total use of the aircraft; or utilization of the aircraft such that all costs are deductible for federal income tax purposes. Additional new language would provide that when the owners’ business is the leasing of aircraft, the lessee’s use of the aircraft is not be considered in determining the exemption.

The bill also would amend an exemption relating to not-for-profit cooperative housing projects approved by the US Department of Housing and Urban Development (HUD). Under the new language, projects obtaining financing from entities other than HUD would be able to retain their property tax exemption, provided that the articles of incorporation or by-laws are amended to require that the corporations will continue to operate in compliance with certain HUD affordability income guidelines.

Background

The original bill dealt with the aircraft issue and would have exempted only certain aircraft purchased prior to July 1, 2004, until such time as the property was sold. The Senate Assessment and Taxation Committee amended the bill at the suggestion of conferees to more closely reflect the provisions of HB 2551 relating to the business aircraft property tax exemption issue. Conferees said that the Kansas Supreme Court in a May, 2003 decision had narrowed a previous

*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>

interpretation of the business aircraft exemption and that they preferred the language of the House bill.

The Senate Assessment and Taxation Committee also included the provisions originally embodied in SB 493 relating to the exemption for not-for-profit cooperative housing projects approved by HUD.