

SESSION OF 2007

**CONFERENCE COMMITTEE REPORT BRIEF  
HOUSE BILL NO. 2044**

As Agreed to April 2, 2007

**Brief\***

HB 2044 would make a number of changes relating to property taxation.

Slider Provisions

Several amendments would be made to the distribution formula relating to "slider" replacement revenues for local units of government designed to help mitigate the commercial and industrial machinery and equipment property tax exemption enacted in 2006. Under current law, the first such distribution is scheduled to be made in February, 2008. The final distribution is scheduled to be made in February, 2012.

One amendment would provide that the secondary distribution formula, which relates to the amounts that county treasurers distribute to each taxing subdivision, would be based directly upon the amount of reduced property taxes from commercial and industrial machinery and equipment within each subdivision. (The initial distribution formula, which relates to the amounts distributed from the state to each county, also is based directly on the amount of reduced taxes from this subclass of property within each county.)

Additional language would clarify that the amount of current property taxes attributable to property which had been

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abated or exempted prior to July 1, 2006, would not count against counties for purposes of qualifying for the replacement revenue payments from the state. (An annual report prepared by the Secretary of Revenue also would be required to quantify the impact of this amendment.)

Another provision would clarify that the slider formula would be tied to certifications of commercial and industrial machinery and equipment property taxes made by county clerks on or before November 15 of each tax year. Finally, an additional provision would clarify that the formula relates only to changes in machinery and equipment property taxes and not to overall property taxes.

#### Interlocal Agreements

Additionally, the bill would authorize boards of county commissioners of two or more counties to enter into interlocal cooperation agreements for the purpose of promoting economic development at any location within the boundaries of the participating counties.

Any such agreement could provide for the establishment of strategic, multi-year economic development plans; provide for the creation of a separate legal entity authorized to exercise those powers conferred upon the participating entities pursuant to KSA 12-2904a (interlocal cooperation agreement provisions) and KSA 19-3808 (industrial district provisions); authorize the separate entity to utilize dues, fees, assessments and property taxes levied in the participating counties to support the economic development promotion agreement; and authorize the agreement to include a system of revenue-sharing or transfers among and between the counties relative to assessed valuation growth in one county attributable to property subject to the interlocal agreement.

### Sale of Boats -- County Appraiser Notification

The bill also would relax a requirement that county appraisers be notified within 30 days of the acquisition or sale of "vessels" (boats) for purposes of determining property tax liability, to instead require only that notification be made prior to December 20.

### Property Tax Exemptions and Cancellations

Another section would provide a property tax exemption for certain storage structures designed and predominantly used for the storage of cellulose matter or other related agriculturally derived material to be used in the production of cellulosic alcohol and co-products. The exemption would be applicable for any eight of the next 10 calendar years following the year in which the structure was newly constructed or first assembled, but would not be renewed after that time. The exemption also would be applicable for only those qualifying storage structures newly constructed or first assembled after December 31, 2006.

One section would clarify that certain property held, used or operated by educational and research purposes at the Kansas State University Olathe Innovation Campus would be exempt from property tax. The exemption would apply to all real property from and after its transfer from Olathe to the Kansas State University Foundation, as well as all tangible personal property on the campus and all buildings and improvements subsequently erected and located on the property.

An additional provision would authorize the Johnson County Commission, for the purpose of facilitating the sale or transfer of the Kuhlman Diecasting facility, to cancel all or a portion of delinquent real estate taxes and penalties on the property located at 16400 Mission Road.

## School Finance Mill Levy Renewal

Additional provisions would renew for tax year 2007 and 2008 the mandatory school district general fund property tax levy at its current level of 20 mills. The bill also would extend for the same two tax years the \$20,000 residential exemption from that levy in KSA 79-201x.

### **Conference Committee Action**

The original bill dealt with the slider provisions. The Senate Ways and Means Committee added the interlocal agreement issue. (The interlocal provisions also passed the House in HB 2434.)

The Conference Committee agreed to create an omnibus property tax issue bill and add the provisions relating to county appraiser notification (also from HB 2434); SB 182 (exemption of cellulosic storage structures); Sub HB 2476 (tax exemption and cancellation for certain Johnson County properties); and SB 144 and SB 198 (school finance mill levy renewal).

### **Background**

During the 2006 Session, the mitigation formula for funds designed to help mitigate revenues lost as a result of the machinery and equipment property tax exemption came to be characterized as the "slider."

The provision relating to excluding from the slider entitlement computation of certain property taxes attributable to machinery and equipment which had been previously exempted or abated would be expected to increase the slider payments by an indeterminate amount above that estimated during 2006.

The school finance mill levy renewal provisions had previously passed the Senate in SB 144 and the House in SB 198. The Governor's Budget recommendation assumes enactment of these provisions. If such provisions were to not

be enacted, local effort for purposes of the school finance formula would be reduced by \$531.0 million in FY 2008; and by \$553.3 million in FY 2009.

property tax; slider