*SESSION OF 2009*

# SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2324

As Amended by Senate Committee of the Whole

## Brief*

HB 2324, as amended, would make several changes in law relative to the sales tax exemption associated with enterprise zones; and would create the Community Investment District Act.

### Sales Tax Exemption Provisions

The bill would amend the population qualification criteria within the Kansas Enterprise Zone Act to provide that the annual figures certified by the Kansas Division of Budget be utilized in lieu of the figures provided by the latest United States Census.

The bill also would strike a July 1, 2010 sunset on the ability of retail businesses to qualify for certain sales tax exemptions when locating or expanding in unincorporated areas of certain low-population counties.

### Community Investment District Provisions

Additional sections of the bill would create the Community Investment District Act. The purpose of a community investment district (CID) would be to promote and support economic development, including tourism and cultural activities.

The bill would define CID projects to include capital improvements, infrastructure, and certain operational costs.

————————————

*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

Projects may be funded by the use of special obligation bonds, full faith and credit bonds, or on a pay-as-you-go basis. The bill would authorize a city or county to create a CID after receiving a petition that is signed by either:

- All landowners within the proposed district who seek financing solely by assessment and not by the issuance of full faith and credit bonds. If all landowners petition for a CID, then the city or county may proceed with its creation and assessments without notice or hearing; or

- More than 55.0 percent of the landowners within the proposed district and also signed by landowners collectively owning more than 55.0 percent of the assessed value of the land area within the proposed district. If this second petition method is utilized, then the bill would require a city or county to adopt a resolution giving public notice of a hearing concerned with the creation and financing of a CID.

Under the second petition method, the bill would allow for funding to come from any combination of the following means:

- Special assessments, either paid in full or by installments.

- A CID sales tax, in any increment of 0.1 percent or 0.25 percent, that could not exceed 2.0 percent. The Department of Revenue would collect the sales tax and remit it on at least a quarterly basis. Revenue from this sales tax would go either for the repayment of bonds or on a pay-as-you-go basis. If bonds are repaid, the CID sales tax would expire no later than the date the bonds matured. On a pay-as-you-go basis, the sales tax would expire 22 years after the date the sales tax is levied or when the pay-as-you-go costs have been paid.

- A city or county's ad valorem taxing authority for the repayment of full faith and credit bonds.

- Any other funds appropriated by the governing body.

The bill would authorize the Department of Revenue to retain 2.0 percent of the sales tax revenue collected within all CIDs, up to a maximum of $60,000, to be used for the administration of the program.

## Background

Current law authorizes certain sales tax exemptions under the Enterprise Zone Act for certain retailers who locate or expand in cities with a population of 2,500 or less; and in unincorporated areas of any county with a population of 10,000 or less. The latter exemption is scheduled to sunset on July 1, 2010.

The original bill dealt with the determination of the population qualification criteria. Representative Bowers pointed out that retailers in a number of cities which are depopulating may be able to qualify under the annual figures certified by the Budget Division, as opposed to the decennial figures of the federal Census.

The House Committee amended the bill to strike the sunset clause on the exemption in unincorporated areas of any county with a population of 10,000 or less. The original bill was not expected to have a significant fiscal note.

The Department of Revenue on March 19 provided a revised fiscal note that reflects the impact of the House Committee amendment. According to that fiscal note, elimination of the sunset clause would be expected to reduce sales tax receipts as follows:

($ in millions)

| | Total | SGF | SHF |
|---|---|---|---|
| FY 2010 | --- | --- | --- |
| FY 2011 | ($0.400) | ($0.351) | ($0.049) |
| FY 2012 | ($0.408) | ($0.358) | ($0.050) |
| FY 2013 | ($0.416) | ($0.365) | ($0.051) |
| FY 2014 | ($0.424) | ($0.372) | ($0.052) |
| 5-year total | ($1.649) | ($1.446) | ($0.202) |

The Senate Committee of the Whole amended the bill on March 25 to include the CID district provisions of SB 119 as amended by the House Committee on Economic Development and Tourism.