

Property Tax and Child and Dependent Care Tax Credit; HB 2096

HB 2096 enacts the Veterans' Valor Property Tax Relief Act, makes changes to the Homeowners' Property Tax Freeze Program, provides for property tax rebates for certain businesses subject to government competition, creates a property tax exemption for certain personal property, limits transactions that can be considered valid sales for property tax purposes, modifies law related to property valuation notices and appeals, and increases the tax credit for household and dependent care expenses.

Veterans' Valor Property Tax Relief Act

The bill enacts the Veterans' Valor Property Tax Relief Act, creating a refundable income tax credit, effective beginning in tax year 2024, for taxpayers who have been deemed permanently and totally disabled or unemployable under federal disabled veterans provisions for 75 percent of the property and ad valorem taxes actually and timely paid on the residential property of the taxpayer.

Taxpayers receiving the credit are prohibited from receiving a credit pursuant to the Homestead Property Tax Refund Act or the Selective Assistance for Effective Senior Relief program.

The credit is supplemental to the Homestead Property Tax Refund Act, but the income and appraised value limitations provided in the Homestead Property Tax Refund Act do not apply to the credit.

The Secretary of Revenue is required to adopt rules and regulations regarding documentation to support such credits.

Homeowners' Property Tax Freeze Program Changes

The bill makes changes to the refund option providing for a refund of the amount of tax in excess of the base year amount under the Homestead Property Tax Refund Act, which it renames the Homeowners' Property Tax Freeze Program.

[*Note:* The Homestead Property Tax Refund Act includes three different refund options. The other two refund options are not impacted by the bill.]

The bill, for purposes of only this refund option, defines income to be the Kansas adjusted gross income, excluding any Social Security benefits, of all members of the household.

The bill increases the maximum amount of income for a taxpayer household eligible for this refund option from \$50,000 to \$80,000.

The bill increases the maximum appraised value of an eligible claimant's home in the base year from \$350,000 to \$500,000.

The changes to the refund option are retroactive to tax year 2022, and the deadline to file claims for tax years 2022 and 2023 is extended to April 15, 2025.

Government Competition Property Tax Rebates

The bill creates, beginning in tax year 2025, a program authorizing rebates of property taxes to certain businesses owning property within a city or county when the property is operated as a business against which a facility owned or operated by the city or county and exempt from property taxes competes.

Rebates are allowed only for businesses operating as child care centers, health clubs, or restaurants that were in operation on the property prior to the city or county beginning the competing activity.

The rebate amount is the amount of property tax levied by the competing city or county. To be eligible for a rebate, the business must be in compliance with state and local laws and current in payment of state and local taxes. Rebates must be requested by December 20 of the year following the tax year at issue and are required to be paid out of the general fund of the city or county.

If the governing body of the city or county determines the business is not eligible for a rebate, it must provide a written final decision to the owner, which can be appealed to the State Board of Tax Appeals within 30 days of service of the decision.

“Competing against the business” is defined to mean offering the same or substantially the same goods or services to the public and receiving any payment for the goods or services at least one half the number of days per year of the tax year as the business seeking the rebate and the facility owned or operated by the city or county is located within the same city as or within 5 miles of the property owned and operated by the business. Such competition does not include the provision of goods and services without receiving payment, providing such services to its own employees, or restaurants used for educational purposes.

Ballot propositions to finance facilities owned or operated by governmental entities are required to include language indicating that such facility may compete against private business and cause private businesses to receive rebates.

Tangible Personal Property Tax Exemptions

The bill exempts, beginning in tax year 2025, certain personal property from all property or ad valorem taxes levied under Kansas law.

The bill exempts the following personal property from all property or ad valorem taxes:

- Any snowmobile, all-terrain vehicle, recreational off-highway vehicle, golf cart, or motorcycle manufactured for off-road use only and used exclusively off roads and highways, that is not operated upon any highway;

- Any motorized bicycle, electric-assisted bicycle, electric-assisted scooter, electric personal assistive mobility device, and motorized wheelchair, as those terms are defined in law;
- Any trailer having a gross weight of 15,000 pounds or less that is used exclusively for personal use and not for the production of income;
- Any watercraft; and
- For each such watercraft, one trailer designed to launch, retrieve, transport, and store such watercraft, and any watercraft motor designed to operate such watercraft on the water.

Exclusion of a Section 1031 Exchanges from Valid Sales

The bill prohibits the sale price at which a property sells in an Internal Revenue Code Section 1031 exchange (1031 exchange) from being considered an indicator of fair market value or used in arriving at fair market value for property tax purposes. The bill excludes such sales from being considered valid sales for purposes of the sales ratio study used for measuring tax appraisal accuracy.

[*Note:* A 1031 exchange allows a person to postpone paying tax on the gain the person receives from selling a property if they reinvest the proceeds in similar property as part of a qualifying like-kind exchange.]

Property Valuation Notices

The bill requires annual property valuation notices provided by county appraisers to include a valuation history of the parcel showing, at a minimum, a statement or display of the total appraised values for the parcel for the current year and the previous four years.

Payment-Under-Protest Prohibition Exceptions

The bill creates exceptions to the provision prohibiting a taxpayer from appealing the valuation of their property using the payment-under-protest appeal procedure if they have already appealed their valuation pursuant to the equalization appeal and informal meeting procedures: if the taxpayer withdrew the initial appeal or if the taxpayer wishes to present new evidence relating to the valuation or assessment of the property.

Tax Credit for Household and Dependent Care Expenses

The bill increases the tax credit for household and dependent care expenses from 25 percent to 100 percent of the federally allowed amount, effective tax year 2024.