



February 12, 2026

The Honorable Adam Smith, Chairperson  
House Committee on Taxation  
300 SW 10th Avenue, Room 346-S  
Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2745 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2745 is respectfully submitted to your committee.

HB 2745 would require taxing jurisdictions that want to increase property tax revenues above certain amounts to get voter approval before the increase could take effect. The ballot question would set the maximum amount of property taxes and the percentage increase that the taxing jurisdiction is requesting to be levied for the next year. The ballot question could appear in a primary, general, or special election; however, if a taxing jurisdiction needs voter approval to increase property tax revenues in the current year for calendar year 2026, then the ballot question would be required to be at the primary election. The taxing jurisdiction would not be allowed to levy property taxes that exceed the maximum amount approved by the voters, but it could levy property taxes that are less than the approved amount. Taxing jurisdictions would not be required to get voter approval if the increase in property tax revenues is not more than 3.0 percent of the total amount levied in the previous year, attributable to new construction and certain improvements, and dedicated to paying off a bond issuance that was approved by an election held on or after July 1, 2026. These provisions would not apply to the State of Kansas or a school district.

The bill would create the Property Tax Relief Fund. This fund would receive a demand transfer of \$60.0 million from the State General Fund on July 15, 2026, and the demand transfer would increase by 2.0 percent in each future fiscal year. The State Treasurer would be required to calculate the apportionment of funds for distribution to counties with 20.0 percent distributed equally among counties, 40.0 percent distributed based on population, and 40.0 percent distributed based on assessed property valuations. Only counties that did not hold an election to increase property taxes would be eligible to receive payments from the Property Tax Relief Fund. Any county that is eligible to receive a distribution from the Property Tax Relief Fund would notify the

Director of Property Valuation at the Department of Revenue before October 15 of each year, in order to receive the distribution. The Director of Property Valuation would certify to the State Treasurer on or before November 15 of each year whether the county's budget complies with the allowable property tax levied in that county and qualifies for payments from the Property Tax Relief Fund. Before January 15 of each year, the State Treasurer would make payments to each eligible county.

The bill replaces the current revenue neutral rate system with the new property tax limit language. On or before June 15 of each year, the Director of Property Valuation would calculate the property tax limit for each taxing subdivision and provide that information to each county clerk. County clerks would send property tax estimate notices to taxpayers showing the appraised value and assessed value for the current year and previous year; mill levy and amount of property tax of each taxing subdivision on the taxpayer's property from the previous year's tax statement; property tax limit in mills and estimated amount of property tax for the current year of each taxing subdivision on the taxpayer's property based on the property tax limit of each taxing subdivision; the difference between the amount of the current year's proposed tax and the previous year's tax for each taxing subdivision, reflected in dollars and as a percentage; and the date, time, and location of any public hearings. The property tax estimate notice would also include previous year's tax amount and the proposed tax amount for the current year on the taxpayer's property based on the statutory mill levies or statutory authority for mill levies for school districts. The bill would require the Director of Accounts and Reports at the Department of Administration to provide a standard property tax estimate notice form to county clerks for the use of notifying taxpayers.

Under current law, the Department of Revenue receives a State General Fund transfer to its Taxpayer Notification Costs Fund in tax year 2026 (FY 2027) to reimburse printing and postage costs for counties to send out the property tax estimate notice. The bill would make the State General Fund transfer to the Taxpayer Notification Costs Fund permanent. The bill would become effective upon publication in the *Kansas Register*.

Estimated State Fiscal Effect			
	FY 2026	FY 2027	FY 2028
Expenditures			
State General Fund	--	\$60,000,000	\$61,200,000
Fee Fund(s)	--	--	\$1,500,000
Federal Fund	--	--	--
Total Expenditures	--	\$60,000,000	\$62,700,000
Revenues			
State General Fund	--	--	(\$1,500,000)
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Revenues	--	--	(\$1,500,000)
FTE Positions	--	--	--

The Department of Revenue estimates that HB 2745 would increase expenditures from the State General Fund by \$60.0 million in FY 2027, \$61.2 million in FY 2028, and \$62.4 million in FY 2029. Demand transfers from the State General Fund to the Property Tax Relief Fund are treated as expenditures from the State General Fund for budgetary purposes. These amounts would be provided to counties for property tax relief.

The Department of Revenue's Property Valuation Division would be required to calculate and report current assessed valuations and distributions, and update forms and documents. The Department indicates that these costs are estimated to be negligible and could be absorbed within existing resources.

The Department of Revenue indicates language relating to the property tax limit requirements would have no fiscal effect on state property tax revenue. The Taxpayer Notification Costs Fund has already received \$1,364,612 from the State General Fund in tax year 2025 (FY 2026) and current estimates indicate \$1.3 million would be transferred in tax year 2026 (FY 2027). The Department estimates the maximum transfer from the State General Fund would be approximately \$1.5 million in tax year 2027 (FY 2028) for the printing and postage costs to send out the property tax estimate notices to each parcel. The Department indicates that there are 1,596,774 non-exempt parcels in Kansas according to the Property Valuation Division's 2024 parcel count. Factoring in the cost of printing (paper \$0.01, ink \$0.05, envelope \$0.10) and the estimated cost for postage (\$0.78), this provision of the bill would result in a maximum State General Fund transfer of \$1,500,968 in tax year 2027. Because the printing and postage costs would occur in the second half of the calendar year, the transfer would occur in FY 2028. Future transfers could be higher as the cost of printing and postage may increase or could be lower as not all counties request reimbursement.

The State Treasurer indicates the bill would require it to implement minor computer programming changes in order to apportion and pay amounts to counties based on population and assessed valuation. The State Treasurer indicates that the programming costs are estimated to be negligible and could be absorbed within existing resources. The amounts expended from the Property Tax Relief Fund would also be required to be included as expenditures in the State Treasurer's budget beginning in FY 2027.

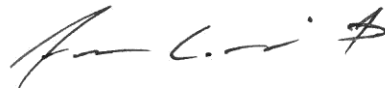
The Department of Administration indicates that requiring it to modify the prescribed budget information form to show the property tax limit information would allow counties to include required information on the form. The Department of Administration indicates that the costs of creating the standard form, including future updates to the form, would be negligible and could be absorbed within existing resources. Any fiscal effect associated with HB 2745 is not reflected in *The FY 2027 Governor's Budget Report*.

The Kansas Association of Counties indicates the bill would have an indeterminate fiscal effect on county governments. The bill would increase revenues for counties that are eligible to receive distributions from the Property Tax Relief Fund. The bill would also require counties that seek to increase property tax revenues by more than 3.0 percent to obtain voter approval, which could limit the ability of some counties to increase property tax revenues for planned projects. An election held at the same time as a countywide primary or general election would cost less than a

stand-alone special election. The Association indicates counties would continue to be reimbursed for printing and postage costs to send out the property tax estimate notice in future tax years. Without this reimbursement, all taxing subdivisions that are required to send out this notice would proportionally share the cost of printing and sending out the notice.

The League of Kansas Municipalities indicates that the bill has the potential to restrict city expenditures based on inflation, emergency infrastructure failures, public safety staffing shortages, equipment replacement needs, and other projects that would require additional property tax revenues above a certain amount that would now require approval by the voters in an election under the provisions of the bill. The bill would increase volatility in the budget process especially as it relates revenue fluctuations tied to sales tax performance two years in advance. Cities must adopt budgets on predictable timelines to meet legal obligations and maintain basic services. Cities that do not hold an election to increase property taxes would not be eligible to receive payments from the Property Tax Relief Fund. However, similar programs were reduced or eliminated during lean state budget years. Cities plan infrastructure projects years in advance, often using temporary financing during construction and issuing bonds once projects are complete. These commitments already exist. If cities lose the ability to reliably cover debt payments due to constrained growth, the bill has the possibility to downgrade credit ratings, increase borrowing costs, reduce ability to invest in infrastructure, and increase the potential of defaults.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", followed by a stylized flourish or symbol.

Adam C. Proffitt  
Director of the Budget

cc: Lynn Robinson, Department of Revenue  
Wendi Stark, League of Kansas Municipalities  
Jay Hall, Kansas Association of Counties  
Gabrielle Hull, Department of Education  
John Hedges, Office of the State Treasurer  
Samir Arif, Department of Administration