

HOUSE BILL No. 2211

By Committee on Taxation

Requested by Representative Howerton on behalf of the City of Derby

2-3

1 AN ACT concerning economic development; relating to STAR bonds;
2 providing funding to replace lost food sales tax revenue for STAR bond
3 districts established prior to December 31, 2022, and modifying the tax
4 increment definition for such districts; establishing the STAR bonds
5 food sales tax revenue replacement fund; amending K.S.A. 2024 Supp.
6 12-17,162 and repealing the existing section.

7
8 *Be it enacted by the Legislature of the State of Kansas:*

9 New Section 1. (a) (1) Commencing on July 15, 2025, and on the 15th
10 day of each month thereafter, for each STAR bond project district
11 established prior to December 31, 2022, the secretary of revenue shall
12 certify to the director of the budget and the director of accounts and reports
13 the amount of revenue that would have been generated from sales of food
14 and food ingredients if the state rate for the Kansas retailers' sales tax
15 provided in K.S.A. 79-3603, and amendments thereto, and the Kansas
16 compensating use tax provided in K.S.A. 79-3703, and amendments
17 thereto, on the sale of food and food ingredients had been 6.5%. The
18 secretary of revenue shall certify such amounts for the entirety of the
19 month that occurred two months prior, commencing on July 15, 2025, with
20 such amounts for the entirety of May 2025.

21 (2) On July 15, 2025, for each STAR bond project district established
22 prior to December 31, 2022, the secretary of revenue shall also certify to
23 the director of the budget and the director of accounts and reports the
24 amount of revenue that would have been generated from sales of food and
25 food ingredients if the state rate for the Kansas retailers' sales tax provided
26 in K.S.A. 79-3603, and amendments thereto, and the Kansas compensating
27 use tax provided in K.S.A. 79-3703, and amendments thereto, on the sale
28 of food and food ingredients had been 6.5% for the months of January
29 2024 through April 2025.

30 (b) Commencing on July 25, 2025, and on the 25th day of each month
31 thereafter, the director of accounts and reports shall certify to the state
32 treasurer the amounts certified pursuant to subsection (a).

33 (c) Commencing on August 1, 2025, and on the 1st day of each month
34 thereafter, the state treasurer shall transfer from the state general fund to
35 the STAR bonds food sales tax revenue replacement fund the aggregate of

1 all amounts certified pursuant to subsection (b). The state treasurer shall
2 pay from the STAR bonds food sales tax revenue replacement fund to the
3 appropriate city or county bond finance, debt service or reserve fund the
4 amount determined to account for the revenue that would have been
5 generated as certified pursuant to subsection (b) for each STAR bond
6 project district, as provided by subsection (a), established by such city or
7 county.

8 (d) The secretary of revenue shall determine with respect to each
9 STAR bond district, as provided by subsection (a), when the amount of
10 sales tax and other revenues that have been collected and distributed to the
11 city or county bond finance, debt service or reserve fund, including
12 transfers pursuant to this section, is sufficient to satisfy all principal and
13 interest costs to the maturity date or dates, of any special obligation bonds
14 issued prior to December 31, 2022, with respect to such district.
15 Thereafter, no further certifications or transfers of funds as provided by
16 this section shall be made for such STAR bond project district.

17 (e) There is hereby created in the state treasury the STAR bonds food
18 sales tax revenue replacement fund. Such fund shall be administered by
19 the state treasurer. All expenditures from the STAR bonds food sales tax
20 revenue replacement fund shall be made in accordance with appropriations
21 acts upon warrants of the director of accounts and reports issued pursuant
22 to vouchers approved by the state treasurer or the state treasurer's
23 designee.

24 (f) This section shall be a part of and supplemental to the STAR
25 bonds financing act.

26 Sec. 2. K.S.A. 2024 Supp. 12-17,162 is hereby amended to read as
27 follows: 12-17,162. As used in the STAR bonds financing act, unless a
28 different meaning clearly appears from the context:

29 (a) "Auto race track facility" means: (1) An auto race track facility
30 and facilities directly related and necessary to the operation of an auto race
31 track facility, including, but not limited to, grandstands, suites and viewing
32 areas, concessions, souvenir facilities, catering facilities, visitor and retail
33 centers, signage and temporary hospitality facilities, but excluding (2)
34 hotels, motels, restaurants and retail facilities, not directly related to or
35 necessary to the operation of such facility.

36 (b) "Commence work" means the manifest commencement of actual
37 operations on the development site, such as, erecting a building,
38 excavating the ground to lay a foundation or a basement or work of like
39 description according to an approved plan of construction, with the
40 intention and purpose to continue work until the project is completed.

41 (c) "De minimis" means an amount less than 15% of the land area
42 within a STAR bond project district.

43 (d) "Developer" means any person, firm, corporation, partnership or

1 limited liability company other than a city and other than an agency,
2 political subdivision or instrumentality of the state. "Developer" includes
3 the names of the owners, partners, officers or principals of the developer
4 for purposes of inclusion of the name of the developer into any
5 application, document or report pursuant to this act if such application,
6 document or report is a public record.

7 (e) "Economic impact study" means a study to project the financial
8 benefit of the project to the local, regional and state economies.

9 (f) "Eligible area" means a historic theater, major tourism area, major
10 motorsports complex, auto race track facility, river walk canal facility,
11 major multi-sport athletic complex, major business facility, a major
12 commercial entertainment and tourism area or a major professional sports
13 complex as determined by the secretary.

14 (g) "Feasibility study" means a feasibility study as defined in K.S.A.
15 12-17,166(b), and amendments thereto.

16 (h) "Historic theater" means a building constructed prior to 1940 that
17 was constructed for the purpose of staging entertainment, including motion
18 pictures, vaudeville shows or operas, that is operated by a nonprofit
19 corporation and is designated by the state historic preservation officer as
20 eligible to be on the Kansas register of historic places or is a member of
21 the Kansas historic theatre association.

22 (i) "Historic theater sales tax increment" means the amount of state
23 and local sales tax revenue imposed pursuant to K.S.A. 12-187 et seq., 79-
24 3601 et seq. and 79-3701 et seq., and amendments thereto, collected from
25 taxpayers doing business within the historic theater that is in excess of the
26 amount of such taxes collected prior to the designation of the building as a
27 historic theater for purposes of this act.

28 (j) "Major business facility" means a significant business
29 headquarters or office building development designed to draw a substantial
30 number of new visitors to Kansas and that has agreed to provide visitor
31 tracking data to the secretary as requested by the secretary, including, but
32 not limited to, residence zip code information, to be provided or held by
33 the secretary without personally identifiable information. A major business
34 facility shall meet sales tax increment revenue requirements that shall be
35 established by the secretary independent of any associated retail businesses
36 located in the STAR bond project district pursuant to the STAR bond
37 project plan.

38 (k) "Major commercial entertainment and tourism area" means an
39 area that may include, but not be limited to, a major multi-sport athletic
40 complex.

41 (l) "Major motorsports complex" means a complex in Shawnee
42 county that is utilized for the hosting of competitions involving motor
43 vehicles, including, but not limited to, automobiles, motorcycles or other

1 self-propelled vehicles other than a motorized bicycle or motorized
2 wheelchair. Such project may include racetracks, all facilities directly
3 related and necessary to the operation of a motorsports complex,
4 including, but not limited to, parking lots, grandstands, suites and viewing
5 areas, concessions, souvenir facilities, catering facilities, visitor and retail
6 centers, signage and temporary hospitality facilities, but excluding hotels,
7 motels, restaurants and retail facilities not directly related to or necessary
8 to the operation of such facility.

9 (m) "Major tourism area" means an area for which the secretary has
10 made a finding the capital improvements costing not less than
11 \$100,000,000 will be built in the state to construct an auto race track
12 facility.

13 (n) "Major multi-sport athletic complex" means an athletic complex
14 that is utilized for the training of athletes, the practice of athletic teams, the
15 playing of athletic games or the hosting of events. Such project may
16 include playing fields, parking lots and other developments including
17 grandstands, suites and viewing areas, concessions, souvenir facilities,
18 catering facilities, visitor centers, signage and temporary hospitality
19 facilities, but excluding hotels, motels, restaurants and retail facilities, not
20 directly related to or necessary to the operation of such facility.

21 (o) "Major professional sports complex" means a project, approved or
22 pursuant to an authorized agreement as provided by K.S.A. 2024 Supp. 12-
23 17,181, and amendments thereto, located within this state including a
24 stadium of not less than 30,000 seats for the purpose of the holding of
25 national football league or major league baseball athletic contests and
26 other events and gatherings or a practice or training facility utilized by a
27 major professional sports franchise and all buildings, improvements,
28 facilities or attractions located within any STAR bond project district as
29 defined in subsection (cc)(2).

30 (p) "Major professional sports franchise" means any corporation,
31 partnership or other entity that owns a team or franchise that is a member
32 of the national football league or major league baseball that is located in
33 any state adjacent to Kansas.

34 (q) "Market study" means a study to determine the ability of the
35 project to gain market share locally, regionally and nationally and the
36 ability of the project to gain sufficient market share to:

- 37 (1) Remain profitable past the term of repayment; and
- 38 (2) maintain status as a significant factor for travel decisions.

39 (r) "Market impact study" means a study to measure the impact of the
40 proposed project on similar businesses in the project's market area.

41 (s) "Museum facility" means a separate newly-constructed museum
42 building and facilities directly related and necessary to the operation
43 thereof, including gift shops and restaurant facilities, but excluding hotels,

1 motels, restaurants and retail facilities not directly related to or necessary
2 to the operation of such facility. The museum facility shall be owned by
3 the state, a city, county, other political subdivision of the state or a non-
4 profit corporation, shall be managed by the state, a city, county, other
5 political subdivision of the state or a non-profit corporation and may not
6 be leased to any developer and shall not be located within any retail or
7 commercial building.

8 (t) "Project" means a STAR bond project.

9 (u) "Project costs" means those costs necessary to implement a STAR
10 bond project plan, including costs incurred for:

- 11 (1) Acquisition of real property within the STAR bond project area;
- 12 (2) payment of relocation assistance pursuant to a relocation
13 assistance plan as provided in K.S.A. 12-17,173, and amendments thereto;
- 14 (3) site preparation including utility relocations;
- 15 (4) sanitary and storm sewers and lift stations;
- 16 (5) drainage conduits, channels, levees and river walk canal facilities;
- 17 (6) street grading, paving, graveling, macadamizing, curbing,
18 guttering and surfacing;
- 19 (7) street light fixtures, connection and facilities;
- 20 (8) underground gas, water, heating and electrical services and
21 connections located within the public right-of-way;
- 22 (9) sidewalks and pedestrian underpasses or overpasses;
- 23 (10) drives and driveway approaches located within the public right-
24 of-way;
- 25 (11) water mains and extensions;
- 26 (12) plazas and arcades;
- 27 (13) parking facilities and multilevel parking structures devoted to
28 parking only;
- 29 (14) landscaping and plantings, fountains, shelters, benches,
30 sculptures, lighting, decorations and similar amenities;
- 31 (15) auto race track facility;
- 32 (16) major multi-sport athletic complex;
- 33 (17) museum facility;
- 34 (18) major motorsports complex;
- 35 (19) rural redevelopment project, including costs incurred in
36 connection with the construction or renovation of buildings or other
37 structures;
- 38 (20) major professional sports complex, including all costs necessary
39 to implement a STAR bond project plan for the development of a major
40 professional sports complex, including, but not limited to, costs incurred
41 for construction or renovation of a stadium and other buildings,
42 improvements, structures, facilities, infrastructure improvements and
43 utilities or any related expenses to develop and finance such complex;

- 1 (21) related expenses to redevelop and finance the project, except that
- 2 for a STAR bond project financed with special obligation bonds payable
- 3 from the revenues described in K.S.A. 12-17,169(a)(1) or (a)(2)(A) and (a)
- 4 (2)(B), and amendments thereto, such expenses shall require prior
- 5 approval by the secretary of commerce; and
- 6 (22) except as specified in paragraphs (1) through (21) above,
- 7 "project costs" does not include:
 - 8 (A) Costs incurred in connection with the construction of buildings or
 - 9 other structures;
 - 10 (B) fees and commissions paid to developers, real estate agents,
 - 11 financial advisors or any other consultants who represent the developers or
 - 12 any other businesses considering locating in or located in a STAR bond
 - 13 project district;
 - 14 (C) salaries for local government employees;
 - 15 (D) moving expenses for employees of the businesses locating within
 - 16 the STAR bond project district;
 - 17 (E) property taxes for businesses that locate in the STAR bond project
 - 18 district;
 - 19 (F) lobbying costs;
 - 20 (G) any bond origination fee charged by the city or county;
 - 21 (H) any personal property as defined in K.S.A. 79-102, and
 - 22 amendments thereto; and
 - 23 (I) travel, entertainment and hospitality.
 - 24 (v) "Projected market area" means any area within the state in which
 - 25 the project is projected to have a substantial fiscal or market impact upon
 - 26 businesses in such area.
 - 27 (w) "River walk canal facilities" means a canal and related water
 - 28 features ~~which~~ that flow through a major commercial entertainment and
 - 29 tourism area and facilities related or contiguous thereto, including, but not
 - 30 limited to, pedestrian walkways and promenades, landscaping and parking
 - 31 facilities.
 - 32 (x) "Rural redevelopment project" means a project that is in an area
 - 33 outside of a metropolitan area with a population of more than 50,000, that
 - 34 is of regional importance, with capital investment of at least \$3,000,000
 - 35 and that will enhance the quality of life in the community and region.
 - 36 (y) "Sales tax and revenue" are those revenues available to finance
 - 37 the issuance of special obligation bonds as identified in K.S.A. 12-17,168,
 - 38 and amendments thereto.
 - 39 (z) "STAR bond" means a sales tax and revenue bond.
 - 40 (aa) "STAR bond project" means:
 - 41 (1) An approved project to implement a project plan for the
 - 42 development of the established STAR bond project district that:
 - 43 (A) (i) Has at least a \$75,000,000 capital investment and \$75,000,000

- 1 in projected gross annual sales; or
- 2 (ii) for metropolitan areas with a population of between 50,000 and
3 75,000, has at least a \$40,000,000 capital investment and \$40,000,000 in
4 projected gross annual sales, if the project is deemed of high value by the
5 secretary; or
- 6 (B) for areas outside of metropolitan areas with a population of more
7 than 50,000, the secretary finds the project:
- 8 (i) Is an eligible area as defined in subsection (f); and
9 (ii) would be of regional or statewide importance;
- 10 (C) is a major tourism area as defined in subsection (m);
11 (D) is a major motorsports complex, as defined in subsection (l); or
12 (E) is a rural redevelopment project as defined in subsection (x); or
- 13 (2) A project approved or pursuant to an authorized agreement as
14 provided by K.S.A. 2024 Supp. 12-17,181, and amendments thereto, to
15 implement one or more project plans for the development of a major
16 professional sports complex with a combined capital investment of not less
17 than \$1,000,000,000.
- 18 (bb) "STAR bond project area" means the geographic area within the
19 STAR bond project district in which there may be one or more projects.
- 20 (cc) "STAR bond project district" means:
- 21 (1) The specific area declared to be an eligible area as determined by
22 the secretary in which the city or county may develop one or more STAR
23 bond projects. A "STAR bond project district" includes a redevelopment
24 district, as defined in K.S.A. 12-1770a, and amendments thereto, created
25 prior to the effective date of this act for the Wichita Waterwalk project in
26 Wichita, Kansas, provided, the city creating such redevelopment district
27 submits an application for approval for STAR bond financing to the
28 secretary on or before July 31, 2007, and receives a final letter of
29 determination from the secretary approving or disapproving the request for
30 STAR bond financing on or before November 1, 2007. No STAR bond
31 project district shall include real property ~~which~~ that has been part of
32 another STAR bond project district unless such STAR bond project and
33 STAR bond project district have been approved by the secretary of
34 commerce pursuant to K.S.A. 12-17,164 and 12-17,165, and amendments
35 thereto, prior to March 1, 2016. A STAR bond project district in a
36 metropolitan area with a population of more than 50,000, shall be a
37 contiguous parcel of real estate and shall be limited to those areas being
38 developed by the STAR bond project and any area of real property
39 reasonably anticipated to directly benefit from the redevelopment project;
40 or
- 41 (2) the specific area approved or pursuant to an authorized agreement
42 as provided by K.S.A. 2024 Supp. 12-17,181, and amendments thereto,
43 and that is declared to be an eligible area as determined by the secretary in

1 which the city or county, or the secretary independently or with the
2 participation of the city or county, as provided by K.S.A. 12-17,164, and
3 amendments thereto, may develop one or more STAR bond projects as
4 defined in subsection (aa)(2). Such area may include real property that is
5 or has been a part of another STAR bond project district, however, any
6 outstanding STAR bonds issued for such other STAR bond project district
7 shall have priority for repayment. Any STAR bond project district as
8 defined pursuant to this paragraph shall not be required to contain
9 contiguous parcels of real estate or be limited to those areas being
10 developed pursuant to any such STAR bond project.

11 (dd) "STAR bond project district plan" means the preliminary plan
12 that identifies all of the proposed STAR bond project areas and identifies
13 in a general manner all of the buildings, facilities and improvements in
14 each that are proposed to be constructed or improved in each STAR bond
15 project area.

16 (ee) "STAR bond project plan" means the plan adopted by a city or
17 county for the development of a STAR bond project or projects in a STAR
18 bond project district. "STAR bond project plan" includes a plan adopted by
19 the secretary independently, the secretary with the participation of a city or
20 county or a city or county as approved by the secretary, as provided by
21 K.S.A. 12-17,164, and amendments thereto, for the development of a
22 STAR bond project or projects as defined in subsection (aa)(2) in a STAR
23 bond project district as defined in subsection (cc)(2) and approved or
24 pursuant to an authorized agreement as provided by K.S.A. 2024 Supp. 12-
25 17,181, and amendments thereto.

26 (ff) "Secretary" means the secretary of commerce.

27 (gg) "Substantial change" means, as applicable, a change wherein the
28 proposed plan or plans differ substantially from the intended purpose for
29 which the STAR bond project district plan was approved.

30 (hh) "Tax increment" means:

31 (1) Except as provided in paragraph (2), that portion of the revenue
32 derived from state and local sales, use and transient guest tax imposed
33 pursuant to K.S.A. 12-187 et seq., 12-1692 et seq., 79-3601 et seq. and 79-
34 3701 et seq., and amendments thereto, collected from taxpayers doing
35 business within that portion of a STAR bond project district occupied by a
36 project that is in excess of the amount of base year revenue. For purposes
37 of this subsection, the base year shall be the 12-month period immediately
38 prior to the month in which the STAR bond project district is established.
39 The department of revenue shall determine base year revenue by reference
40 to the revenue collected during the base year from taxpayers doing
41 business within the specific area in which a STAR bond project district is
42 subsequently established. The base year of a STAR bond project district,
43 following the addition of area to the STAR bond project district, shall be

1 the base year for the original area, and with respect to the additional area,
2 the base year shall be any 12-month period immediately prior to the month
3 in which additional area is added to the STAR bond project district. For
4 purposes of this subsection, revenue collected from taxpayers doing
5 business within a STAR bond project district, or within a specific area in
6 which a STAR bond project district is subsequently established shall not
7 include local sales and use tax revenue that is sourced to jurisdictions other
8 than those in which the project is located. The secretary of revenue and the
9 secretary of commerce shall certify the appropriate amount of base year
10 revenue for taxpayers relocating from within the state into a STAR bond
11 district. *For STAR bond project districts with a base year established prior*
12 *to December 31, 2022, there shall be added to the tax increment an*
13 *amount equal to the amount of state sales and use tax revenue that would*
14 *have been derived from the sale of food and food ingredients within the*
15 *district. For STAR bond project districts established on or after December*
16 *31, 2022, the base year revenue shall not include revenue resulting from*
17 *state sales and use tax on the sale of food and food ingredients within the*
18 *district.*

19 (2) With respect to any STAR bond project district as defined in
20 subsection (cc)(2), "tax increment" may include all revenue described in
21 paragraph (1) collected from retail sales from any business within such
22 STAR bond project district. "Tax increment" shall include all revenue
23 derived from the sale of alcoholic liquor as defined in K.S.A. 79-41a01,
24 and amendments thereto, pursuant to K.S.A. 79-4101 and 79-41a02, and
25 amendments thereto, collected from consumers purchasing alcoholic
26 liquor within such STAR bond project district that is in excess of the
27 amount of base year revenue for such taxes. The "tax increment" for any
28 such STAR bond project district that has been independently established
29 by the secretary as provided by K.S.A. 12-17,164, and amendments
30 thereto, shall not include local sales, use or transient guest tax imposed
31 pursuant to K.S.A. 12-187 et seq. and 12-1692 et seq., and amendments
32 thereto, unless approved by a participating city or county as provided by
33 K.S.A. 12-17,164, and amendments thereto. If a STAR bond project
34 district as defined in subsection (cc)(2) includes real property that is or has
35 been part of another previously approved STAR bond project district, the
36 "tax increment" shall also exclude that portion of state and local sales, use
37 or transient guest tax revenue pledged to repayment of any STAR bonds
38 issued for a previously approved STAR bond project within such other
39 district while such bonds are outstanding. The amount of base year
40 revenue for any revenue derived from the sale of alcoholic liquor and any
41 state sales and use taxes shall be set by the secretary in the secretary's sole
42 discretion upon the establishment of a STAR bond project district as
43 defined in K.S.A. 12-17,162(cc)(2), and amendments thereto. If local

1 sales, use or transient guest tax revenue are also pledged by a city or
2 county, whether such city or county is participating with the secretary, or is
3 itself establishing such STAR bond project district, as provided by K.S.A.
4 12-17,164, and amendments thereto, the amount of base year revenue for
5 such local tax revenues shall be set by the city or county in the city or
6 county's discretion and approved by the secretary. Base year revenue
7 determinations by the secretary or by the city or county as approved by the
8 secretary shall not be required to be based on the procedure provided in
9 paragraph (1).

10 (ii) "Taxpayer" means a person, corporation, limited liability
11 company, S corporation, partnership, registered limited liability
12 partnership, foundation, association, nonprofit entity, sole proprietorship,
13 business trust, group or other entity that is subject to the Kansas income
14 tax act, K.S.A. 79-3201 et seq., and amendments thereto.

15 Sec. 3. K.S.A. 2024 Supp. 12-17,162 is hereby repealed.

16 Sec. 4. This act shall take effect and be in force from and after its
17 publication in the statute book.