

Senate Substitute for HOUSE BILL No. 2745

AN ACT concerning property taxation; relating to property tax revenues of taxing subdivisions; providing a protest petition to contest certain increases in property tax revenues; continuing reimbursements from the taxpayer notification costs fund for an additional five years; amending K.S.A. 2025 Supp. 72-5137, 79-2988 and 79-2989 and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas:

New Section 1. (a) Whenever the governing body of any taxing subdivision proposes to adopt a budget that provides for funding by property tax revenues in an amount exceeding the amount of property tax levied for the previous year as adjusted to reflect the increase in the average of the consumer price index for all urban consumers in the midwest region as published by the bureau of labor statistics of the United States department of labor for the previous calendar year, except by not more than 3%, the governing body shall notify the county clerk of the amount of the proposed property tax revenue for the current year. Such proposal shall be subject to the protest petition provisions of this section. Such notice shall be included with the governing body's notice to the county clerk of the governing body's proposed intent to exceed the revenue neutral rate pursuant to K.S.A. 2025 Supp. 79-2988(b)(2), and amendments thereto. If the governing body of any taxing subdivision does not make such a proposal in accordance with this subsection, then such governing body shall not adopt a budget that provides for funding by property tax revenues in an amount exceeding the amount of property tax levied for the previous year as adjusted pursuant to this subsection.

(b) (1) The director of accounts and reports shall design and publish standard protest petition forms. Only petitions issued or approved by the county clerk for the applicable taxing subdivision shall be valid.

(2) The county clerk shall provide notice on the county's website, if one exists, on any website or social media maintained by such office and in the county clerk's office stating whether protest petitions are available for any taxing subdivisions within the county. The county clerk shall make a copy of each protest petition, including the signature page, available during regular business hours. The county clerk shall provide one petition form free of charge to each person that requests a single form in person and may charge for multiple copies requested by one person or for any mailing of requested petitions. The county clerk shall provide a printable version of the form on the county website, on any social media maintained by such office or by email. The requirements of K.S.A. 25-3602, and amendments thereto, relating to the filing petitions at one time and circulator requirements shall not apply to protest petitions maintained under this section. All protest petition forms for applicable taxing subdivisions shall be available not later than August 10 of each year.

(3) In addition to petitions described in paragraph (2), the revenue neutral rate notice provided to taxpayers pursuant to K.S.A. 2025 Supp. 79-2988, and amendments thereto, shall include protest petition information and a protest petition signature page for the taxing subdivisions relevant to the property as approved by the county clerk. The signature page may list the taxing subdivisions proposing to adopt budgets that provide for funding by property tax revenues in an amount exceeding the amount of property tax levied for the previous year as adjusted pursuant to subsection (a) and provide check boxes or initial boxes to indicate those for which the registered voter wishes to sign the protest petition. Only registered voters registered in the applicable taxing subdivision may sign and return the protest petition. Copies of the unsigned petition that is included with the revenue neutral rate notice may be made and used by more than one such registered voter. Such notice shall also explain how and where the petitions described in paragraph (2) are available if a registered voter chooses not to use the petition included with the revenue neutral rate notice or is not a registered voter in the taxing subdivisions listed.

(c) Each protest petition against such proposal shall include, in a

conspicuous location on each signature page:

- (1) The name of the taxing subdivision;
 - (2) the amount of the current year's proposed property tax revenue and the amount of property tax revenue levied for the previous year;
 - (3) a statement that a sufficient petition will require the taxing subdivision to adopt a budget that limits funding by property tax revenues to an amount that does not exceed the amount of property tax revenue levied for the previous year; and
 - (4) a statement that the petition must be returned to the county clerk, county treasurer or county election officer on or before September 15 to be considered a valid petition.
- (d) The county treasurer shall provide notice on any website or social media maintained by such office and in the county treasurer's office stating whether protest petitions are available for any taxing subdivisions within the county and make a copy of each protest petition, including the signature page, available during regular business hours.
- (e) If a protest petition signed by at least 10% of the registered voters of such taxing subdivision as of January 1 of the current year of the petition is filed with the county, including petitions received by the county clerk, county treasurer and county election officer, on or before September 15, the proposal to fund a budget with property tax revenues in excess of the previous year as adjusted pursuant to subsection (a) shall be deemed disapproved and the governing body shall not adopt a budget that provides for funding by property tax revenues in an amount that exceeds the amount of property tax revenue levied for the previous year.
- (f) The county election officer shall determine petition sufficiency not later than seven days after September 15 or if such date falls on a Saturday, Sunday or holiday, then the next day that is not a Saturday, Sunday or holiday. Upon certification of a sufficient petition, the governing body shall adopt a budget that limits funding by property tax revenues for the current year to an amount that does not exceed the amount of property tax revenue levied for the previous year. If the petition is found insufficient, the governing body may proceed with the adoption of its proposed budget and exceed the amount of property tax revenue levied for the previous year as adjusted pursuant to subsection (a) in accordance with other applicable provisions of law.
- (g) A copy of the results of each protest petition certified by the county election officer shall be included with the adopted budget, budget certificate and other budget forms filed by the governing body with the county clerk and the director of accounts and reports and shall be published on the website of the department of administration.
- (h) For purposes of this section, "taxing subdivision" and "revenue neutral rate" mean the same as defined in K.S.A. 2025 Supp. 79-2988, and amendments thereto.

Sec. 2. K.S.A. 2025 Supp. 72-5137 is hereby amended to read as follows: 72-5137. On or before October 10 of each school year, the clerk or superintendent of each school district shall certify under oath to the state board a report showing the total enrollment of the school district by grades maintained in the schools of the school district and such other reports as the state board may require. Each such report shall show postsecondary education enrollment, career technical education enrollment, special education enrollment, bilingual education enrollment, at-risk student enrollment and virtual school enrollment in such detail and form as is specified by the state board. Upon receipt of such reports, the state board shall examine the reports and if the state board finds any errors in any such report, the state board shall consult with the school district officer furnishing the report and make any necessary corrections in the report. On or before August 25 of each year, each such clerk or superintendent shall also certify to the state board a copy of the budget adopted by the school district, except when a school district must conduct a public hearing to approve exceeding the revenue neutral rate under K.S.A. 2025 Supp. 79-2988, and

amendments thereto, a copy of such budget shall be certified to the state board on or before ~~September 20~~ *October 1*.

Sec. 3. K.S.A. 2025 Supp. 79-2988 is hereby amended to read as follows: 79-2988. (a) On or before June 15 each year, the county clerk shall calculate the revenue neutral rate for each taxing subdivision and include such revenue neutral rate on the notice of the estimated assessed valuation provided to each taxing subdivision for budget purposes, except that for tax year 2024, the deadline shall be extended to July 1, 2024. The director of accounts and reports shall modify the prescribed budget information form to show the revenue neutral rate.

(b) Except as otherwise provided in this section, no tax rate in excess of the revenue neutral rate shall be levied by the governing body of any taxing subdivision unless a resolution or ordinance has been approved by the governing body according to the following procedure:

(1) At least 10 days in advance of the public hearing, the governing body shall publish notice of its proposed intent to exceed the revenue neutral rate by publishing notice:

(A) On the website of the governing body, if the governing body maintains a website; and

(B) in a weekly or daily newspaper of the county having a general circulation therein. The notice shall include, but not be limited to, its proposed tax rate, its revenue neutral rate ~~and~~, the date, time and location of the public hearing *and protest petition information similar to subsection (b)(2)(I), if applicable*.

(2) On or before July 20, the governing body shall notify the county clerk of its proposed intent to exceed the revenue neutral rate and provide the date, time and location of the public hearing ~~and~~, its proposed tax rate *and the amount of the current year's proposed property tax revenue*. For all tax years commencing after December 31, 2021, the county clerk shall notify each taxpayer with property in the taxing subdivision, by mail directed to the taxpayer's last known address, of the proposed intent to exceed the revenue neutral rate at least 10 days in advance of the public hearing. Alternatively, the county clerk may transmit the notice to the taxpayer by electronic means at least 10 days in advance of the public hearing, if such taxpayer and county clerk have consented in writing to service by electronic means. The county clerk is not required to send a notice to a property owner of property that is exempt from ad valorem taxation. The county clerk shall consolidate the required information for all taxing subdivisions relevant to the taxpayer's property on one notice. The notice shall be in a format prescribed by the director of accounts and reports. The notice shall include, but not be limited to:

(A) The following heading:

"NOTICE OF PROPOSED PROPERTY TAX INCREASE ~~AND~~,
PUBLIC HEARINGS *AND PROTEST PETITIONS*

[Current year] [County name] County Revenue Neutral Rate Notice
This is NOT a bill. Do not remit payment.";

(B) the following statement:

"This notice contains estimates of the tax on your property and proposed property tax increases. THE ACTUAL TAX ON YOUR PROPERTY MAY INCREASE OR DECREASE FROM THESE ESTIMATES. Governing bodies of taxing subdivisions must vote in order to exceed the Revenue Neutral Rate to increase the total property taxes collected. Governing bodies will vote at public hearings at the dates, times and locations listed. Taxpayers may attend and comment at the hearings. Property tax statements will be issued after mill rates are finalized and taxes are calculated.";

(C) the appraised value and assessed value of the taxpayer's property for the current year and the previous year;

(D) the mill levy and amount of property tax of each taxing subdivision on the taxpayer's property from the previous year's tax statement in a column titled: "[Previous year] Tax";

(E) the revenue neutral rate in mills and estimated amount of property tax for the current year of each taxing subdivision on the

taxpayer's property based on the revenue neutral rate of each taxing subdivision in a column titled: "[Current year] Tax at Revenue Neutral Rate";

(F) the estimated amount of property tax for the current year of each taxing subdivision on the taxpayer's property based on either: (i) The revenue neutral rate for a taxing subdivision that does not intend to exceed its revenue neutral rate; or (ii) the proposed tax rate provided by the taxing subdivision, if the taxing subdivision notified the county clerk of its proposed intent to exceed its revenue neutral rate, and such mill levy used in the calculation, in a column titled: "[Current year] Proposed Tax";

(G) the difference between the amount of the current year's proposed tax and the previous year's tax, reflected in dollars and a percentage, for each taxing subdivision in a column titled: "[Current year] Proposed Tax Exceeding [Previous year] Tax"; ~~and~~

(H) the date, time and location of the public hearing of each taxing subdivision that notified the county clerk of its proposed intent to exceed its revenue neutral rate in a column titled: "Date, Time and Location of Public Hearing"; *and*

(I) a statement identifying the taxing subdivisions with protest petitions, explaining the protest petition process, including the filing deadline and how to obtain petitions, and providing the protest petition signature page described in section 1(b), and amendments thereto.

The columns described in subparagraphs (D) through (G) shall include a total of the amounts at the end of each column. For each taxing subdivision, the notice shall include the total amount of revenue from the property tax levy for the previous year, the proposed total amount of revenue from the property tax levy for the current year and the difference or change between such amounts, reflected in dollars and a percentage. Although the state of Kansas is not a taxing subdivision for purposes of this section, the notice shall include the previous year's tax amount and the estimate of the tax for the current year on the taxpayer's property based on the statutory mill levies.

(3) The public hearing to consider exceeding the revenue neutral rate shall be held not sooner than August 20 and not later than September 20. The governing body shall provide interested taxpayers desiring to be heard an opportunity to present oral testimony within reasonable time limits and without unreasonable restriction on the number of individuals allowed to make public comment. The public hearing may be conducted in conjunction with the proposed budget hearing pursuant to K.S.A. 79-2929, and amendments thereto, if the governing body otherwise complies with all requirements of this section. Nothing in this section shall be construed to prohibit additional public hearings that provide additional opportunities to present testimony or public comment prior to the public hearing required by this section.

(4) A majority vote of the governing body, by the adoption of a resolution or ordinance to approve exceeding the revenue neutral rate, shall be required prior to adoption of a proposed budget that will result in a tax rate in excess of the revenue neutral rate. Such vote of the governing body shall be conducted at the public hearing and on the same day as the commencement of the public hearing after the governing body has heard from interested taxpayers and shall be a roll call vote. If the governing body approves exceeding the revenue neutral rate, the governing body shall not adopt a budget that results in a tax rate in excess of its proposed tax rate as stated in the notice provided pursuant to this section. A copy of the resolution or ordinance to approve exceeding the revenue neutral rate and a certified copy of any roll call vote reporting, at a minimum, the name and vote of each member of the governing body related to exceeding the revenue neutral rate, whether approved or not, shall be included with the adopted budget, budget certificate and other budget forms filed with the county clerk and the director of accounts and reports and shall be published on the website of the department of administration.

(5) *The governing body of any taxing subdivision that proposes to adopt a budget that provides for funding by property tax revenues in an amount exceeding the amount of property tax levied for the previous year as adjusted pursuant to section 1(a), and amendments thereto, shall be required to comply with section 1, and amendments thereto, and such proposal shall be subject to a protest petition in accordance with section 1, and amendments thereto.*

(c) (1) Any governing body subject to the provisions of this section that does not comply with subsection (b) shall refund to taxpayers any property taxes over-collected based on the amount of the levy that was in excess of the revenue neutral rate.

(2) Any taxpayer of the taxing subdivision that is the subject of the complaint or such taxpayer's duly authorized representative may file a complaint with the state board of tax appeals by filing a written complaint, on a form prescribed by the board, that contains the facts that the complaining party believes show that a governing body of a taxing subdivision did not comply with the provisions of subsection (b) *or the protest petition provisions of section 1, and amendments thereto, were not followed* and that a reduction or refund of taxes is appropriate. The complaining party shall provide a copy of such complaint to the governing body of the taxing subdivision making the levy that is the subject of the complaint. Notwithstanding K.S.A. 74-2438a, and amendments thereto, no filing fee shall be charged by the executive director of the state board of tax appeals for a complaint filed pursuant to this paragraph. The governing body of the taxing subdivision making the levy that is the subject of the complaint shall be a party to the proceeding. Notice of any summary proceeding or hearing shall be served upon such governing body, the county clerk, the director of accounts and reports and the complaining party. It shall be the duty of the governing body to initiate the production of evidence to demonstrate, by a preponderance of the evidence, the validity of such levy. If upon a summary proceeding or hearing, it shall be made to appear to the satisfaction of the board that the governing body of the taxing subdivision did not comply with subsection (b) *or the protest petition provisions of section 1, and amendments thereto, were not followed*, the state board of tax appeals shall order such governing body to refund to taxpayers the amount of property taxes over collected or reduce the taxes levied, if uncollected. The provisions of this paragraph shall not be construed as prohibiting any other remedies available under the law.

(d) On and after January 1, 2022, in the event that the tax levied by a school district pursuant to K.S.A. 72-5142, and amendments thereto, increases the property tax revenue generated for the purpose of calculating the revenue neutral rate from the previous tax year and such amount of increase in revenue generated from such tax levied is the only reason that the school district would exceed the total property tax revenue from the prior year, the school district shall be deemed to not have exceeded the revenue neutral rate in levying a tax rate in excess of the revenue neutral rate to take into account the increase in revenue from only such tax levied.

(e) (1) Notwithstanding any other provision of law to the contrary, if the governing body of a taxing subdivision must conduct a public hearing to approve exceeding the revenue neutral rate under this section, the governing body of the taxing subdivision shall certify, on or before October 1, to the proper county clerk the amount of ad valorem tax to be levied.

(2) If a governing body of a taxing subdivision did not comply with the provisions of subsection (b) and certifies to the county clerk an amount of ad valorem tax to be levied that would result in a tax rate in excess of its revenue neutral rate, the county clerk shall reduce the ad valorem tax to be levied to the amount resulting from such taxing subdivision's revenue neutral rate.

(f) As used in this section:

(1) "Taxing subdivision" means any political subdivision of the

state that levies an ad valorem tax on property.

(2) "Revenue neutral rate" means the tax rate for the current tax year that would generate the same property tax revenue as levied the previous tax year using the current tax year's total assessed valuation. To calculate the revenue neutral rate, the county clerk shall divide the property tax revenue for such taxing subdivision levied for the previous tax year by the total of all taxable assessed valuation in such taxing subdivision for the current tax year, and then multiply the quotient by 1,000 to express the rate in mills. The revenue neutral rate shall be expressed to the third decimal place.

(g) In the event that a county clerk incurred costs of printing and postage that were not reimbursed pursuant to K.S.A. 2025 Supp. 79-2989, and amendments thereto, such county clerk may seek reimbursement from all taxing subdivisions required to send the notice. Such costs shall be shared proportionately by all taxing subdivisions that were included on the same notice based on the total property tax levied by each taxing subdivision. Payment of such costs shall be due to the county clerk by December 31.

(h) The department of administration or the director of accounts and reports shall make copies of adopted budgets, budget certificates, other budget documents and revenue neutral rate documents available to the public on the department of administration's website on a permanently accessible web page that may be accessed via a conspicuous link to that web page placed on the front page of the department's website. The department of administration or the director of accounts and reports shall also make the following information for each tax year available on such website:

- (1) A list of taxing subdivisions by county;
- (2) whether each taxing subdivision conducted a hearing to consider exceeding its revenue neutral rate;
- (3) the revenue neutral rate of each taxing subdivision;
- (4) the tax rate resulting from the adopted budget of each taxing subdivision; and
- (5) the percent change between the revenue neutral rate and the tax rate for each taxing subdivision.

(i) Notwithstanding any provisions to the contrary, in the event any governing body does not comply with the provisions of subsection (b) because such governing body did not intend to exceed its revenue neutral rate but the final taxable assessed valuation of such taxing subdivision used to calculate the actual tax levy is less than the estimated assessed valuation used to calculate the revenue neutral rate, such governing body shall be permitted to levy a tax rate that generates the same amount of property tax revenue as levied the previous year or less.

Sec. 4. K.S.A. 2025 Supp. 79-2989 is hereby amended to read as follows: 79-2989. (a) For calendar years ~~2024, 2025 and 2026 through 2031~~, if a county clerk has printing or postage costs pursuant to K.S.A. 2025 Supp. 79-2988, and amendments thereto, the county clerk shall notify and provide documentation of such costs to the secretary of revenue. The secretary of revenue shall certify the amount of moneys attributable to such costs and shall transmit a copy of such certification to the director of accounts and reports. Upon such receipt of such certification, the director of accounts and reports shall transfer an amount of moneys equal to such certified amount from the state general fund to the taxpayer notification costs fund of the department of revenue. The secretary of revenue shall transmit a copy of each such certification to the director of legislative research and the director of the budget.

(b) There is hereby established in the state treasury the taxpayer notification costs fund that shall be administered by the secretary of revenue. All expenditures from the taxpayer notification costs fund shall be for the purpose of paying county printing and postage costs pursuant to K.S.A. 2025 Supp. 79-2988, and amendments thereto. All expenditures from such fund shall be made in accordance with appropriations acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the secretary of revenue or the secretary's designee.

Sec. 5. K.S.A. 2025 Supp. 72-5137, 79-2988 and 79-2989 are hereby repealed.

Sec. 6. This act shall take effect and be in force from and after its publication in the Kansas register.

I hereby certify that the above BILL originated in the House, and passed that body

HOUSE concurred in
SENATE amendments _____

Speaker of the House.

Chief Clerk of the House.

Passed the SENATE
as amended _____

President of the Senate.

Secretary of the Senate.

APPROVED _____

Governor.