

SESSION OF 2025

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2396**

As Amended by House Committee on Taxation

**Brief\***

HB 2396, as amended, would create a property tax funding limit in cases of successful protest petitions; create a fund to provide payments to taxing jurisdictions not exceeding levels specified by the bill; and repeal the revenue neutral rate notice and hearing requirements for taxing jurisdictions.

***Property Tax Funding Limit***

The bill would limit, in cases of a successful protest petition, the amount of ad valorem property tax revenue used to fund a taxing jurisdiction's budget to an amount equal to or less than the amount from the prior year, as adjusted for inflation, new construction, and certain bond payments.

Specifically, allowable increases in excess of the prior year's budget would be limited to increases associated with:

- The annual percent increase of the Consumer Price Index for All Urban Consumers in the Midwest Region, as published by the Bureau of Labor Statistics of the U.S. Department of Labor;
- The construction of new structures or improvements or the remodeling or renovation of existing structures or improvements, excluding ordinary maintenance and repair; and

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\*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 <https://klrd.gov/>

- The payment of a bond issue approved at an election held on or after July 1, 2025.

Any taxing jurisdiction not adopting its budget in a timely fashion would be subject to the funding limit without the requirement of a successful protest petition.

The funding limit provisions would not apply to the State or to school districts.

### ***Protest Petition***

The bill would provide for the use of a protest petition to contest any taxing jurisdiction budget that provides for funding by property taxes in excess of the funding limit provided for by the bill.

The protest petitions would be required to be maintained by county treasurers upon notification by county clerks that taxing jurisdictions approve a budget resulting in property taxes in excess of the allowed amounts. Protest petitions would be on standard forms provided by the Director of Accounts and Reports. The county treasurer would be required to post on the county website and social media, if such exists, the availability of protest petitions.

Qualified voters of a taxing jurisdiction would have 30 days following the date the governing body of a taxing jurisdiction certifies to the county clerk the amount of property tax to be levied to sign a protest petition. If qualified voters totaling at least 10 percent of the votes cast for the office of U.S. President in the most recent general election in the taxing district sign the protest petition, the taxing jurisdiction would be limited to a budget with property taxes from the prior year, as adjusted for inflation, new construction, and certain bond payments, as described above.

If a taxing jurisdiction is required to amend its budget pursuant to a successful protest petition, the governing body

of such taxing jurisdiction would be required to certify the amount of property taxes to be levied to the county clerk by October 1.

The protest petition provisions would not apply in years in which no transfer is made from the State General Fund (SGF) to the Acknowledging Stewardship of Tax Revenue and Appropriations (ASTRA) Fund.

### ***ASTRA Transfers and Payments***

The bill would create the ASTRA Fund. Under the bill, any city or county adopting a budget financed with property taxes equal to or less than the funding limit established by the bill would receive payments from the Fund.

The bill would provide for \$60.0 million to be transferred to the Fund from the SGF by a demand transfer on or before July 15. The transfer amount would increase by 2 percent per year in future years.

The amount transferred to the Fund would be apportioned across the counties on the basis of 65 percent distributed according to county population and 35 percent distributed according to county assessed valuation.

The county government and each city government within the county would receive, on or before January 15 following the transfer from the SGF to the Fund, a portion of the county's apportionment based on the amount of the county or city's property taxes levied as a share of the total property taxes levied by the county and all cities within the county. Counties and cities meeting the funding limit requirement would be entitled to receive such payments, whether the county or city met the funding limit requirement as a result of a successful protest petition or the action of the governing body of the county or city in adopting its budget.

The funds paid to cities and counties would be required to be used for services, including, but not limited to, roads and bridges, law enforcement, elections, public health and safety, or any other services mandated by law.

Any amounts not paid to cities or counties by virtue of the taxing jurisdiction adopting property taxes in excess of the allowed amount would be deposited in the State Treasury to the credit of the SGF. The State Treasurer would be required to report to the House Committee on Taxation and the Senate Committee on Assessment and Taxation a list of cities and counties receiving and not receiving payments from the Fund by January 31 of each year.

### ***Revenue Neutral Rate Repeal***

The bill would repeal the revenue neutral rate provisions requiring county clerks to send notices to taxpayers and taxing subdivisions to hold hearings and vote on budgets requiring a greater amount of property tax to be levied than the previous year.

The bill would also repeal and abolish the Taxpayer Notification Costs Fund, which is currently used to pay county printing and postage expenses associated with revenue neutral rate taxpayer notices.

### **Background**

The bill was introduced by the House Committee on Taxation at the request of Representative A. Smith.

### ***House Committee on Taxation***

At the House Committee hearing, **proponent** testimony was provided by representatives of the Kansas Association of Counties, Kansas Association of School Boards, Kansas Farm Bureau, and United School Administrators of Kansas

and Kansas School Superintendents' Association. The proponents generally stated the bill would eliminate revenue neutral provisions, which sometimes confuse taxpayers, and provide for property tax relief based on payments to local governments and the ability for taxpayers to protest certain tax increases by petition.

Written-only proponent testimony was provided by representatives of the Johnson County Board of County Commissioners, Kansas Legislative Policy Group, and National Federation of Independent Business.

Written-only **opponent** testimony was provided by a representative of the City of Overland park, generally stating the bill would enable a minority of the citizens of a taxing jurisdiction to block a budget that might be approved by a majority of the citizens.

Neutral testimony was provided by a representative of the League of Kansas Municipalities.

Written-only neutral testimony was provided by a representative of the Saline County Board of County Commissioners.

No other testimony was provided.

The House Committee amended the bill to:

- Change the protest petition threshold from 10 percent of the most recent Secretary of State general election to 10 percent of the most recent general election for U.S. President;
- Exclude property tax revenues dedicated to paying bond issues approved after July 1, 2025, from the calculation of property taxes triggering the protest petition opportunity and excluding the taxing jurisdiction from payments from the ASTRA Fund;

- Require annual reporting from the State Treasurer of a list of cities and counties receiving and not receiving payments from the ASTRA Fund;
- Require the Director of Accounts and Reports to provide a standard protest petition form; and
- Require protest petition availability to be posted on existing county social media.

### **Fiscal Information**

A fiscal note was not available at the time the House Committee took action on the bill.

Taxation; property tax; protest petition; revenue neutral rate; transfers; ASTRA fund