

SESSION OF 2026

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2737

As Amended by the House Committee on
Commerce, Labor and Economic Development

Brief*

HB 2737, as amended, would enact the Taxpayer Agreement Act (Act) concerning economic development projects of a city eligible for tax increment financing (TIF) and concerning taxpayer agreements, which are defined as agreements between a city and a project developer that would meet the requirements of, and would be subject to, this Act.

Entering Into a Taxpayer Agreement

The bill would allow a city authorized to undertake a TIF project to enter into a taxpayer agreement with the owner or developer of real property located within a tax increment or redevelopment district. A taxpayer agreement may be used to:

- Limit such owner's or developer's rights to challenge the owner's or developer's assessment or property taxes or enforcement of a tax lien established pursuant to this Act;
- Guarantee, enhance, or otherwise secure the repayment of bonds, notes, or other obligations issued to finance project costs by the city;
- Provide for payments in lieu of, or in addition to, tax increment revenues; or

*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/>

- Provide for any payment obligation designed to support the financing or refinancing of project costs.

A taxpayer agreement would constitute a voluntary and binding payment obligation of the owner or developer and would not constitute a pledge of the credit or taxing power of the state or any city. Nothing in the Act would be construed to require a city to enter into a taxpayer agreement.

Payments and Real Property Liens

If a taxpayer agreement provides that payments due under the agreement are secured by a real property lien, such lien:

- Would arise and be in full force and effect automatically upon the execution and recording of the agreement;
- Would constitute and be treated in the same manner as a municipal claim and real estate tax lien pursuant to law, except for limitations on the owner's or developer's rights to challenge the lien, assessment, or property taxes pursuant to the Act;
- Would have parity with real estate tax liens, taking priority over any existing or subsequent mortgage, judgment, lien, or encumbrance, except for previously filed real estate tax liens; and
- May be enforced, collected, and foreclosed in the same manner as real estate taxes, except for limitations on the owner's or developer's rights to challenge the lien, assessment, or property taxes pursuant to the Act, including tax claim bureau sale, sheriff's sale, or judicial foreclosure.

A taxpayer agreement containing a lien would be required to be recorded with the Register of Deeds in the county where the property is located. Such recording would provide constructive notice and perfect such lien without further action.

Payments due under the agreement would be deemed delinquent if unpaid on the required date as provided by the taxpayer agreement. A delinquency may be certified and enforced in any manner pursuant to the taxpayer agreement and as delinquent real estate taxes pursuant to law. All interest, penalties, fees, and collection costs applicable to delinquent real estate taxes would apply to delinquent taxpayer agreement payments.

A taxpayer agreement and any lien securing the agreement may be assigned to a trustee or purchaser of bonds issued to finance project costs secured by the taxpayer agreement. The assignee would possess all enforcement rights held by the city.

Upon full payment of all obligations under the taxpayer agreement, a city may issue bonds as a conduit issuer to finance project costs within a tax increment or redevelopment district.

Bond Issuance

The bill would allow a city to issue bonds as a conduit issuer to finance project costs within a tax increment or redevelopment district. Bonds issued under this Act could be secured by:

- Payments due under a taxpayer agreement authorized by the Act;
- Any lien created by a taxpayer agreement;
- Incremental tax revenues; or

- Reserves, guaranties, or private security.

These payments, liens, revenues, or other securities could be pledged, assigned, or granted a security interest by the city to a trustee or purchaser of the bonds.

Bonds issued in the Act would:

- Be payable solely from the security pledged;
- Not constitute a general obligation of the city or state;
- Not constitute municipal debt for purposes of any statutory or constitutional debt limitation; and
- Not impose a financial obligation on a city beyond receipt and remittance of pledged payments.

A city issuing bonds under the Act would act solely as a conduit issuer, and repayment would be limited to:

- Taxpayer agreement payments;
- Pledged incremental tax revenues; or
- Any additional private security.

A city would be permitted to assign to a trustee or bondholders the city's right to received taxpayer agreement payments, any lien securing such payment, and any enforcement rights under this Act. An assignee would have all enforcement powers held by the city.

Nothing in the Act would be construed to:

- Limit the power of a city under TIF law;
- Require any city to enter into a taxpayer agreement;

- Impose any financial obligation on a city; or
- Constitute a guarantee by a city or the state of any bond issued under the Act.

The bill would allow a city to exercise all powers necessary to issue conduit bonds, including:

- Pledging or assigning taxpayer agreement payments;
- Pledging or assigning any lien created by a taxpayer agreement;
- Entering into agreements with trustees, services, or purchasers of bonds; or
- Enforcing or foreclosing any lien securing the agreement pursuant to the law and the taxpayer agreement.

Conduit bonds issued by a city under the Act would be payable solely from the revenues and security pledged and would not constitute a debt of the state or any city.

Taxpayer Agreement Liens

The bill would constitute a lien securing payments under a taxpayer agreement as a municipal claim, and the taxpayer agreement lien would have the same priority and effect as a real estate tax lien, subordinate only to real estate tax liens previously filed.

The bill would allow a taxpayer agreement lien to be enforced pursuant to the taxpayer agreement, including any limitation of rights to challenge the lien, and any law governing the collection of delinquent real estate taxes.

Delinquent payments under a recorded taxpayer agreement under the Act would be deemed claims of the same character and enforceability as delinquent real estate taxes, except as rights to challenge such enforcement could have been limited by the agreement and could be included in tax sales, or judicial sales in the same manner as other delinquent real estate taxes as provided under the Act.

The bill would also make technical and conforming changes.

Background

The bill was introduced by the House Committee on Commerce, Labor, and Economic Development at the request of a representative of Hageman Capital.

House Committee on Commerce, Labor and Economic Development

In the House Committee hearing, **proponent** testimony was provided by representatives of Hageman Capital. The proponents generally stated the bill would allow a third party to finance infrastructure updates and be repaid with incremental revenues. It was also noted that the bill would not expand TIF and could reduce a city's administrative burden. Additional testimony was provided about how the financing works in Indiana.

Neutral testimony was provided by a representative of the League of Kansas Municipalities. The conferee generally stated there were concerns about the cities being forced to enforce agreements between third parties and whether the bill strikes the right balance between development and local control.

No other testimony was provided.

The House Committee amended the bill to make a technical amendment to a statute citation.

Fiscal Information

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

Taxpayer Agreement Act; tax increment financing; municipalities; commerce