

SESSION OF 2019

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2340

As Amended by House Committee on Taxation

Brief*

HB 2340, as amended, would prohibit county treasurers, beginning July 1, 2020, from distributing to taxing subdivisions a portion of property taxes paid under protest for residential and commercial property under certain circumstances, effectively providing for the escrow of certain property tax receipts. The prohibition generally would apply to the portion of property taxes paid under protest exceeding the previous year's taxes for residential payment-under-protest cases involving an increase in liability of \$500 or more, and for certain commercial payment-under-protest cases involving an increase in liability of \$5,000 or more. The distribution prohibition specifically would not apply to certain protests of property taxes involving newly constructed structures, unless the appraised value exceeds the building permit enumerated costs by at least 115.0 percent.

County appraisers would be required to send county clerks a certified list of all real properties whose owners are protesting valuation or assessment of property taxes that have not been resolved prior to June 1 of each year, as well as a second list of all real properties with appraised valuation of more than \$40,000 whose owners are seeking an exemption. County clerks would be required to subsequently furnish the lists to all potentially affected taxing units prior to June 15, along with the assessed valuation of each parcel.

County treasurers prior to January 10 of each year also would be required to provide those taxing units affected with lists of all real properties with tax dollars escrowed, as well as

*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 <http://www.kslegislature.org>

the assessed valuation of such properties and amount of funds held in escrow.

Background

The bill was requested for introduction by Representative Dave Baker, who appeared as the lead proponent during the public hearing in the House Committee on Taxation on March 14, 2019. Other proponents included representatives of the Kansas Chamber; the Kansas Agribusiness Retailers Association, the Kansas Grain and Feed Association, and Renew Kansas Association; and the Kansas Soybean Association. A representative of the Kansas Association of Realtors submitted written-only testimony in support of the bill. Written-only testimony in opposition was submitted from the Riley County Treasurer; the Sedgwick County Treasurer; and representatives of the Kansas County Treasurers Association, Johnson County, and the City of Overland Park. Representatives of the Kansas Association of Counties and League of Kansas Municipalities appeared as neutral conferees. Neutral written-only testimony also was received from a representative of the Kansas Legislative Policy Group.

The bill as introduced would have applied to certain commercial cases with property tax increases of \$1,000 or more from one year to the next. The House Taxation Committee on March 21, 2019, adopted a package of amendments that included increasing that figure to \$5,000; delaying implementation of the bill until July 1, 2020; providing an exclusion from the escrow requirements for certain newly constructed property; and imposing a variety of notification requirements on county officials. Representative Baker, who offered the package of amendments, said that they had been developed by a number of interested parties to address many of the concerns raised by conferees during the initial public hearing.

A fiscal note prepared by the Division of the Budget on the bill as introduced indicated the escrow requirement had the potential to delay distribution of certain receipts to state funds attributable to the current 21.5 mills in state property tax levies, but the Department of Revenue could not estimate an amount. The Board of Tax Appeals also indicated that the bill was not expected to have any fiscal impact on its operations. The League of Kansas Municipalities and the Kansas Association of Counties indicate the bill could potentially create cash flow problems until the appeals process is final, but that local governments would not be required to pay back disputed money to the county because that money would be held by the county. Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2020 Governor's Budget Report*.