

March 8, 2022

The Honorable Caryn Tyson, Chairperson  
Senate Committee on Assessment and Taxation  
Statehouse, Room 548-S  
Topeka, Kansas 66612

Dear Senator Tyson:

**SUBJECT:** Fiscal Note for SB 542 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 542 is respectfully submitted to your committee.

SB 542 creates a revenue neutral rate complaint process that allows any taxpayer the ability to file a complaint with the Board of Tax Appeals to determine that a governing body of a taxing subdivision did not comply with the revenue neutral rate requirements and that a reduction or refund of taxes is appropriate. The Board would not be able to charge a filing fee for the revenue neutral rate complaint. The complaining party would be required to provide a copy of the complaint to the relevant governing body of the taxing subdivision. Notice of any summary proceeding or hearing would be served upon each governing body, the county clerk, the Director of Accounts and Reports at the Department of Administration, and the complaining party. The governing body of the taxing subdivision would have the duty to produce evidence that demonstrate, by a preponderance of the evidence, the validity of the property tax levy. If the Board determines that the governing body of the taxing subdivision did not comply with the revenue neutral rate requirements, then the Board would issue an order to the governing body to refund to taxpayers the amount of property taxes over collected or reduce the taxes levied, if uncollected.

The bill requires that the governing body's adoption of a resolution or ordinance that approves exceeding the revenue neutral rate be a roll call vote. A copy of the resolution or ordinance that approves exceeding the revenue neutral rate and a certified copy of any roll call vote that includes the name and vote of each member of the governing body would 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 would be published on the Department of Administration's Website. The website would also include a list of taxing subdivisions by county; whether each taxing subdivision conducted a hearing to consider exceeding its revenue neutral rate; the revenue neutral rate of each taxing subdivision; the tax rate resulting from the adopted budget of each taxing subdivision; and the percent change between the revenue neutral rate and the tax rate for each taxing subdivision.

Under current law, the county clerk is required to provide a copy of all budgets for taxing subdivisions in the county to the Director of Accounts and Reports at the Department of Administration. The bill specifies that that county clerk provide the copies of the budgets before

December 31st of each year. The bill requires that the county's revenue neutral rate notice to property taxpayers include the percentage by which the proposed tax rate exceeds the revenue neutral rate.

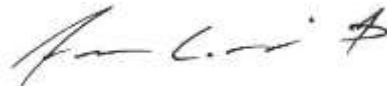
The Department of Revenue indicates SB 542 does not prevent taxing subdivisions from levying property taxes at a level exceeding those from the prior year but does require compliance with the process for calculations of the revenue neutral rate and for public hearings. The Department indicates the bill would not have a direct impact on state property tax revenues. The bill would have no fiscal effect on the Department's operations.

The bill has the potential for increasing the number of cases filed at the Board of Tax Appeals that would determine if a taxing subdivision violated the revenue neutral rate requirements. However, it is not possible to estimate the number of additional cases that would arise or how complex and time-consuming the cases would be. The fiscal effect would most likely be negligible and could be accommodated within the existing budget resources.

The Department of Administration indicates that it would be required to update its taxpayer notification form to include the percentage by which the proposed tax rate exceeds the revenue neutral rate on the Office of Accounts and Reports website. The website would also include additional information on revenue neutral rate compliance for each taxing subdivision. The Department of Administration indicates that the costs to implement the bill are estimated to be negligible and could be absorbed within existing resources.

The Kansas Association of Counties and the League of Kansas Municipalities indicate that bill has the potential to increase costs for local governments, by requiring taxing subdivisions to produce evidence that demonstrates, by a preponderance of the evidence, the validity of the property tax levy in response to a revenue neutral rate complaint. This may require additional attorney and administrative staff time to complete necessary documents and to present evidence at hearings before the Board of Tax Appeals. Additionally, the bill would also require additional programming and staff time for the additional reporting requirements to the Department of Administration's Division of Accounts and Reports. It is unknown if the additional programming and other implementation costs could be absorbed within existing staff levels or if additional resources would be needed to implement the bill. Any fiscal effect associated with SB 542 is not reflected in *The FY 2023 Governor's Budget Report*.

Sincerely,



Adam Proffitt  
Director of the Budget

cc: Jody Allen, Tax Appeals  
Jay Hall, Association of Counties  
Lynn Robinson, Department of Revenue  
Wendi Stark, League of Municipalities  
Celeste Chaney-Tucker, Department of Administration