

**CONFERENCE COMMITTEE REPORT BRIEF
SENATE BILL NO. 8**

As Agreed to April 6, 2023

Brief*

SB 8 would amend law related to property, sales, and income taxes.

Property tax provisions of the bill would include changes related to filing statements for personal property, a specification of land classification related to agritourism, changes to the Homestead Refund Program, the creation of a property tax exemption for certain businesses located near facilities where a government entity competes against the business, changes to the revenue neutral rate hearing notice, an extension of state reimbursement for county expenses related to printing and postage of revenue neutral rate hearing notices, changes to property valuation notices, changes to certain property appeal procedures, and codification property valuation adjustments related to adverse influences affecting agricultural land.

Sales tax provisions of the bill would include a sales tax exemption for certain telecommunications infrastructure and a sales tax price exclusion for manufacturer's coupons.

Income tax provisions of the bill would include subtraction modifications for certain net operating losses and tax credit disallowances, changes to the SALT Parity Act, reductions in penalties for late remittance of withholding taxes, the enactment of the Pregnancy Resource Act, changes to tax credits for adoption, and changes to the Disability Employment Act tax credit.

Property Taxes

Personal Property Tax Filings

The bill would limit the instances in which a taxpayer must file statements regarding tangible personal property for tax purposes, reduce penalties for late filings, and specify circumstances in which extensions of time for filing such statements and abatements of penalties would be provided.

*Conference committee report briefs are prepared by the Legislative Research Department and do not express legislative intent. No summary is prepared when the report is an agreement to disagree. Conference committee report briefs may be accessed on the Internet at <http://www.kslegislature.org/kIRD>

Single Initial Filing

The bill would provide that if an initial statement listing tangible personal property for taxation has been filed with a county appraiser, future annual filings would only be required when there has been a change to report that is related to the property previously listed or to the initial statement.

Reduced Penalties

The bill would reduce the penalty for late filing of oil and gas leases and tangible personal property from 5 percent to 2 percent per month with the maximum penalty for late filing being reduced from 25 percent to 10 percent. The penalty for a failure to file resulting in escaped taxation would be reduced from 50 percent to 12.5 percent.

Extensions of Time and Abated Penalties

The bill would require county appraisers, who currently have discretionary authority to do so, to grant an extension of a reasonable amount of time for taxpayers to file tangible personal property for taxation upon a showing of good cause.

County appraisers and the State Board of Tax Appeals would be required to abate late filing penalties under cases of excusable neglect or in the event the property has been repossessed by a creditor who paid the taxes on the property. [Note: Current law provides only the State Board of Tax Appeals with discretionary authority to abate such penalties.]

Beginning in tax year 2022, such good cause and excusable neglect would be specified to include instances in which tangible personal property had been previously classified as real property or a fixture to real property and was reclassified to be personal property. Such instances would be specified to include machinery and equipment used in industries of grain storage and processing and ethanol or other biofuels processing.

Agritourism Land Classification

The bill would specify, beginning in tax year 2021, that land devoted to agricultural use would include land and buildings utilized as part of a registered agritourism activity at a registered agritourism location by a registered agritourism operator.

The selling of merchandise associated with the registered agritourism activity by the agritourism operator would not change the classification of the land or buildings as a result of such sales.

Homestead Property Tax Refund Act Changes

The bill would make changes to the refund option providing for a refund of the amount of tax in excess of the base year amount under the Homestead Property Tax Refund Act.

[*Note:* The Homestead Property Tax Refund Act includes three different refund options. The other two refund options would not be impacted by the bill.]

The bill would, for purposes of only this refund option, exclude from the definition of “household income” all Social Security benefits, of which one-half are currently included in the definition.

The bill would increase the maximum amount of income for which taxpayers would be eligible for this refund option from \$50,000 to \$80,000 and would exclude eligible disabled veterans from being required to have incomes below \$80,000 in order to be eligible for this refund option.

The bill would increase the maximum appraised value of an eligible claimant’s home in the base year from \$350,000 to \$500,000 and provide for future increases to this amount based upon the average percentage change in statewide residential valuation of existing residential real estate for the preceding 10 years.

The changes to the refund option would be retroactive to tax year 2022, and the deadline to file claims for tax year 2022 would be extended from April 15, 2023, to April 15, 2024.

Government Competition Property Tax Exemption

The bill would create, beginning in tax year 2024, a real and personal property tax exemption for certain businesses located in cities where a facility owned or operated by a governmental entity competes against the business or within five miles of a facility owned or operated by a governmental entity that competes against the business.

Businesses qualifying for the exemption would be limited to child care centers, health clubs, or restaurants. The property would be required to be used predominantly for the qualifying business.

In order to qualify for the exemption, the business would be required to be in compliance with state law, city ordinances, and county resolutions and current in payment of state and local taxes.

For businesses that first begin ownership, operation, and use of property for a qualifying purpose after July 1, 2023, the exemption would only be granted if the competing activity by the governmental entity began after the business began using the property.

“Competing against the business” would be defined to mean offering the same or substantially the same goods or services to the public and receiving payment for the goods or services at least one-half the number of days per tax year as the business claiming the exemption and the facility owned or operated by a government entity is used predominantly for child care center, health club, or restaurant purposes. It would be defined to exclude:

- The provision of goods and services without receiving payment; and
- The provision of goods or services predominantly to employees or students of the governmental entity.

Applicable governmental entities would include the State of Kansas or any county, city, township, school district, community college, municipal or public university, and any other taxing district or political subdivision of the State that is supported with tax funds.

Ballot propositions to finance facilities owned or operated by governmental entities would be required to include language indicating that such facility may compete against private business and cause private businesses to become exempt from property taxes.

Revenue Neutral Rate Hearing Notice and Reimbursement

The bill would extend for one additional year, through calendar year 2024, the state reimbursement of printing and postage costs incurred when county clerks are required to mail notices of proposed tax increases beyond the revenue-neutral rate. The bill also would extend the transfer from the State General Fund to the Taxpayer Notification Costs Fund to reimburse the printing and postage costs for one additional year.

The bill also would replace the current provisions establishing minimum requirements for the contents of the revenue neutral rate hearing notice with new provisions specifying the heading and opening statement of the notice and requiring:

- The appraised and assessed value of the taxpayer's property for the current and previous year;
- The amount of property tax of each taxing subdivision on the property from the previous year's tax statement;
- The estimated amount of property tax for the current year of each taxing subdivision based on the revenue neutral rate;
- The estimated amount of property tax for the current year of each taxing subdivision based on the greater of the revenue neutral rate or the proposed tax rate provided by the subdivision to the county clerk, if the subdivision has notified the clerk of its intent to exceed the revenue neutral rate;
- The difference between the current year's maximum tax and the previous year's tax, in both dollars and percent, for each taxing subdivision;
- The date, time, and location of the hearing for each subdivision intending to exceed the revenue neutral rate; and
- For each taxing subdivision holding a revenue neutral rate hearing, the difference between the current year's maximum tax and the estimated tax at the revenue neutral rate.

Property Valuation Notice Information

The bill would require annual property valuation notices provided by county appraisers to include the appraised and assessed value of the property for the current year and two preceding years.

[*Note:* Current law requires the notice to include information for the current year and one preceding year.]

Residential Real Property Valuation Appeals

The bill would permit the use of appraisals performed by Kansas Certified Residential Real Property Appraisers for the equalization appeal procedure wherein a taxpayer files a third-party fee simple appraisal within 60 days after the notice of informal meeting results or final determination is mailed to the taxpayer.

[*Note:* Current law provides for only the use of appraisals performed by Kansas Certified General Real Property Appraisers for this appeal procedure.]

Payment Under Protest Prohibition Repeal

The bill would eliminate a provision prohibiting a taxpayer from appealing the valuation of their property using the payment under protest appeal procedure if they have already appealed their valuation pursuant to the equalization appeal and informal meeting procedure.

Agricultural Land Adverse Influence

The bill would codify the adjustments reducing the taxable value of agricultural land on the basis of adverse influences not sufficiently accounted for in the agricultural use valuation formula that are currently provided for in administrative guidance from the Property Valuation Division of the Department of Revenue.

The codified adverse influences would include, but not be limited to:

- Canopy cover, for which value is reduced from 20 to 50 percent based upon canopy covering of 25 to 100 percent of the impacted land.
- Salinity and alkalinity, for which value is reduced based upon a taxpayer-provided soil analysis from a crop consulting service;
- Water table fluctuation, for which value is reduced based upon the results of a U.S. Department of Agriculture Natural Resources Conservation Service review of the water table levels of the impacted land; and
- Newly constructed drainage and flood control areas, for which value is reduced based upon the impact on land use from newly constructed drainage and flood control areas.

Sales Taxes

Telecommunications Sales Tax Exemption

The bill would create a sales tax exemption for the purchase of equipment, machinery, or other infrastructure purchased for use in the provision of internet access service, telecommunications service, or video service and for the purchase of repair, maintenance, and installation services purchased by providers in the provision of such internet access service, telecommunications service, or video service.

The exemption would expire on July 1, 2028.

Manufacturer's Coupons Sales Tax Exclusion

The bill would exclude from sales price, for purposes of retail sales and compensating use taxes, the amount of coupons issued by a manufacturer, supplier, or distributor when the seller accepts such coupons and is reimbursed by the manufacturer, supplier, or distributor.

The exclusion would take effect January 1, 2024.

Income Taxes

Net Operating Loss Subtraction Modification

The bill would create a subtraction modification allowing taxpayers who carried back federal net operating losses in tax years 2018 through 2020 pursuant to the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act to subtract such amounts from their income for purposes of determining Kansas adjusted gross income. Taxpayers would be permitted to carry forward such net operating loss for up to 20 years if the amount exceeds the Kansas adjusted gross income of the taxpayer.

The bill would extend the deadline for eligible taxpayers to file amended returns for tax years 2018 through 2020 until April 15, 2025.

Federal Tax Credit Disallowance Subtraction Modifications

The bill would enact subtraction modifications in determining Kansas adjusted gross income equal to 100 percent of the amount of federal disallowance related to the Work Opportunity Tax Credit and similar credits under section 280C of the federal Internal Revenue Code and, effective for tax year 2020 and all years thereafter, 25 percent of the amount of federal disallowance related to the Employee Retention Tax Credit.

SALT Parity Act Changes

The bill would clarify that the tax on electing entities under the SALT Parity Act would be levied on:

- The *pro rata* or distributive share of the entity's income for each nonresident owner that is attributable to the Kansas; and
- The *pro rata* or distributive share of the entity's income for each resident owner calculated either before or after allocation and apportionment to Kansas. Entities would be required to use the same method of calculation for all resident owners.

The bill would provide that tax credits attributable to the electing entity would be passed through to and claimed by the entity owner.

The provisions of the bill would be retroactive to tax year 2022.

Withholding Tax Remittance Penalties

The bill would replace the 15 percent penalty for employers not timely remitting withholding taxes with a graduated penalty system providing for penalties as follows:

- 2 percent, if the remittance is 1 to 5 days late;
- 5 percent, if the remittance is 6 to 15 days late;
- 10 percent, if the remittance is more than 15 days late; and
- 15 percent, if the remittance is more than 15 days late and the Department of Revenue notified the taxpayer regarding the delinquency, but the tax was not remitted within 10 days of the notification.

Pregnancy Resource Act

The bill would create the Pregnancy Resource Act, which would provide for a tax credit for contributions to nonprofit pregnancy centers or residential maternity centers exempt from federal income tax pursuant to section 501(c)(3) of the federal Internal Revenue Code, provided that such centers:

- Maintain a dedicated phone number for clients;
- Maintain a primary physical office, clinic, or residential home in Kansas for a minimum of 20 hours a week, excluding state holidays;
- Offer services free of charge to clients for the express purpose of providing assistance to women in carrying pregnancies to term, preventing abortion, and promoting healthy childbirths, and
- Utilize trained and licensed medical professionals in the performance of any available medical procedures.

The credit could be claimed against income, privilege, or premium tax liability beginning tax year 2023, in an amount equal to 50.0 percent of voluntary contributions made to such centers, and could be carried forward for up to five future tax years following the tax year in which the eligible contribution was made. Contributions would be prohibited from being payment for services rendered.

The aggregate amount of credits claimed would be limited to \$10.0 million per tax year, with no more than \$5.0 million per tax year in credits claimed for contributions to any single organization.

Administration of Credits

Taxpayers claiming the credit would be required to provide the Department of Revenue with the amount of the contribution and the name of the organization to which it was made. Prior to claiming credits, taxpayers would be required to make application on forms provided by the Department certifying the dollar amount of the contribution made or to be made within the calendar year.

The Department of Revenue would be required to allocate credits within 30 days after the receipt of an application. If the full credit amount cannot be allocated due to the annual aggregate limit having been reached, the Department would be required to notify applicants within 30 days of any amount to be allocated. Prospective contributions would be required to be made within 90 days of the allocation of a credit, which would otherwise be canceled and reallocated.

Eligible charitable organizations would be required to provide the Department of Revenue with a written certification, made under penalty of perjury, of eligibility in regard to the requirements specified by the bill, along with any other information the Department would require to administer its provisions. The Department would be required to review each such certification and make a determination of eligibility, and make publicly available a list of eligible organizations. The Department would be authorized to periodically request recertification from organizations.

Credits claimed by S-corporations, partnerships, limited liability companies, or other pass-through entities would be distributed proportionally by shareholders, partners, or members according to ownership or as mutually agreed to by the parties.

Adoption Tax Credit

The bill would increase, beginning in tax year 2023, the adoption tax credit to 75 percent of the federal adoption tax credit for most children and to 100 percent of the federal adoption tax credit if the child was a Kansas resident prior to the adoption and is a child with special needs, as defined in federal law.

[*Note:* Current law provides for a tax credit amount of 25 percent of the federal adoption tax credit and additional amounts of 25 percent if the child adopted was a Kansas resident prior to the adoption and 25 percent if the child was a Kansas resident prior to the adoption and is a child with special needs, as defined in federal law.]

The bill would provide, beginning in tax year 2023, for the adoption tax credit to be a refundable tax credit.

Disability Employment Act Tax Credit Changes

Changes to the tax credit would include naming the credit, modifying the duration and extent of the credit, expanding the definition of “individuals with disabilities,” and restructuring the definition of “qualified vendor” from whom purchases may be made.

Name Change

The provisions of the tax credit would be named the Disability Employment Act.

Duration and Extent of Credit

The bill would eliminate the provision specifying the credit to expire after tax year 2023. The bill would provide for a cap on the aggregate amount of credits under the Disability Employment Act to be \$5.0 million in tax years 2019 through 2023, \$10.0 million in tax years 2024 through 2028, and \$10.0 million for each successive five tax years starting in tax year 2029.

Individuals with Disabilities Definition

The bill would expand the definition of “individuals with disabilities” to include individuals who are certified by a healthcare provider, as determined by the Department of Revenue, who can substantiate an individual as having a physical or mental impairment that constitutes a substantial barrier to employment. The bill would also eliminate a requirement that individuals with disabilities work a minimum number of hours per week to qualify for health insurance coverage.

Qualified Vendor Definition

The bill would provide for three options by which an entity may qualify as a qualified vendor:

- A not-for-profit business qualifying as a certified business pursuant to KSA 75-3740 that:
 - Does business primarily in Kansas or substantially all of its production in Kansas;
 - Employs at least 30.0 percent of its employees in an integrated setting;
 - Offers to contribute at least 75.0 percent of the premium cost for health insurance coverage for each eligible employee; and
 - Does not employ individuals under a certificate issued by the U.S. Secretary of Labor under 29 U.S. Code section 214(c).

- A qualified vendor pursuant to KSA 75-3317 that:
 - Employs at least 30.0 percent of its employees in an integrated setting;
 - Offers to contribute at least 75.0 percent of the premium cost for health insurance coverage for each eligible employee, offers a company-sponsored insurance plan under the Affordable Care Act, pays the required subsidy to the Internal Revenue Service for employees to purchase insurance through the open market, or offers assistance to employees to cover at least 75.0 percent of their health insurance costs through legal and appropriate methodology; and
 - Does not employ individuals under a certificate issued by the U.S. Secretary of Labor under 29 U.S. Code section 214(c).
- A division of a Kansas not-for-profit organization that:
 - Does business primarily in Kansas or substantially all of its production in Kansas;
 - Within such division, employs at least 30.0 percent of its employees in an integrated setting;
 - Within such division, offers to contribute at least 75.0 percent of the premium cost for health insurance coverage for each eligible employee, offers a company-sponsored insurance plan under the Affordable Care Act, pays the required subsidy to the Internal Revenue Service for employees to purchase insurance through the open market, or offers assistance to employees to cover at least 75.0 percent of their health insurance costs through legal and appropriate methodology; and
 - Does not employ individuals under a certificate issued by the U.S. Secretary of Labor under 29 U.S. Code section 214(c) within such division or any other division of the not-for-profit corporation.

Current law limits qualified vendors to not-for-profit businesses qualifying as certified businesses pursuant to KSA 75-3740 and qualified vendors pursuant to KSA 75-3317 and prohibits any employment by the vendor under a certificate issued by the U.S. Secretary of Labor under 29 U.S. Code section 214(c).

Conference Committee Action

The Conference Committee agreed to the House amendments to the bill and further agreed to amend the bill by inserting:

- The contents of HB 2002, as amended by the Senate Committee of the Whole, regarding various property tax provisions;
- The contents of HB 2254, as amended by the House Committee of the Whole, regarding agritourism land classification;
- The contents of SB 40, as amended by the Senate Committee of the Whole, and as further amended by the Conference Committee, regarding Homestead Property Tax Refund Program changes and net operating losses;

- The contents of SB 252, as amended by the Senate Committee of the Whole, and as further amended by the Conference Committee regarding a government competition property tax exemption;
- The contents of HB 2106, as amended by the House Committee of the Whole, regarding a telecommunications infrastructure sales tax exemption;
- The contents of SB 53, as introduced, regarding a manufacturer's coupons sales tax exclusion;
- The contents of HB 2465, as introduced, and as amended by the Conference Committee, regarding changes to the SALT Parity Act;
- The contents of SB 96, as introduced, the Pregnancy Resource Act and as further amended by the Conference Committee;
- The contents of SB 147, as amended by the Senate Committee of the Whole, and as further amended by the Conference Committee, regarding an adoption tax credit;
- The tax credit disallowance provision of SB 33, as amended by the Senate Committee of the Whole, and as further amended by the Conference Committee; and
- The contents of HB 2275, as amended by the House Committee of the Whole, and further amended by the Conference Committee, regarding changes to the disability employment tax credit.

Background

The Conference Committee retained the contents of SB, as amended by the House Committee on Taxation and inserted contents from HB 2002, HB 2254, SB 40, SB 252, HB 2106, SB 53, HB 2465, SB 96, SB 147, SB 33, and HB 2275. The background information for the relevant portion of each of those bills is provided below.

SB 8 (Personal Property Tax Filings and Withholding Penalties)

The bill was prefiled for introduction by Senator Steffen on January 3, 2023.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by Senator Steffen; representatives of Kansas Grain and Feed Association, Kansas Manufactured Housing Association, and Renew Kansas Biofuels Association; and a private citizen. The proponents generally stated the bill would alleviate penalties that seem stronger than necessary and may penalize taxpayers for simply forgetting to annually re-notify county appraisers of property.

Written-only proponent testimony was provided by representatives of the Kansas Cooperative Council and Kansas Livestock Association and by an attorney whose practice deals with property tax matters.

The Senate Committee amended the bill to insert provisions to require only a single filing and specifying circumstances related to extensions of time and abatements of penalties.

House Committee on Taxation

In the House Committee hearing, **proponent** testimony was provided by Senator Steffen, a private citizen, and representatives of the Kansas Grain and Feed Association and Renew Kansas Biofuels Association and the Kansas Manufactured Housing Association. The proponents generally stated the bill would reduce excessively punitive late filing penalties and make personal property tax compliance less burdensome for taxpayers.

Written-only proponent testimony was provided by representatives of the Kansas Cooperative Council and the League of Kansas Municipalities.

Written-only neutral testimony was provided by a representative of the Kansas County Appraisers Association.

No other testimony was provided.

The House Committee amended the bill to clarify the effective date of the provision requiring a single initial filing and inserted the contents of HB 2411, regarding withholding remittance penalties. [Note: The Conference Committee retained these amendments.] Background information for HB 2411 is provided below.

HB 2411 (Withholding Remittance Penalties)

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

House Committee on Taxation

In the House Committee hearing, **proponent** testimony was provided by Representative Waggoner and representatives of the Kansas Chamber of Commerce and National Federation of Independent Businesses. The proponents generally stated the current penalties are unnecessarily punitive, and the penalties proposed by the bill mirror federal law.

Written-only proponent testimony was provided by a representative of Americans for Prosperity-Kansas.

No other testimony was provided.

HB 2002 (Various Property Tax Provisions)

The bill was introduced by Representative Fairchild.

House Committee on Taxation

In the House Committee hearing, **proponent** testimony was provided by Representative Fairchild, a representative of the Kansas Association of Counties, and a former county commissioner of Linn County. The proponents generally stated county costs associated with requirements mandated by the State should be reimbursed by state funds.

Written-only proponent testimony was also provided by representatives of the City of Overland Park, Kansas Association of School Boards, Kansas County Commissioners Association, League of Kansas Municipalities, and Unified Government of Wyandotte County and Kansas City, Kansas, as well as county clerks from Sedgwick and Cowley counties, county commissioners from Meade and Stafford counties, the Riley County Board of Commissioners, a Sedgwick County manager, a city manager of Manhattan, and the Director of Treasury, Taxation, and Vehicles of Johnson County.

Written-only neutral testimony was provided by a representative of the Kansas Policy Institute.

Opponent testimony was provided by a resident of Douglas County, who stated requiring counties to pay costs associated with raising taxes above the revenue-neutral rate provides accountability for imposing such increases.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by Representative Fairchild, who generally stated the revenue neutral rate law without the reimbursement would amount to an unfunded mandate by the state upon local governments.

Written-only proponent testimony was provided by representatives of the Kansas Association of Counties, Kansas Association of School Boards, League of Kansas Municipalities, Meade County, and the City of Overland Park.

Written-only neutral testimony was provided by a representative of the Kansas Policy Institute.

No other testimony was provided.

The Senate Committee amended the bill to change the reimbursement extension from indefinite to one additional year and to insert provisions:

- Increasing the number of prior years' data provided on appraisal notices (similar to provisions previously contained in HB 2201);
- Modifying the contents of and specifying the form for the revenue neutral rate hearing notice;
- Permitting the use of fee simple appraisals performed by Kansas Certified Residential Real Property Appraisals in residential property valuation appeals;
- Codifying adverse influences for agricultural land valuations; and

- Changing the effective date.

[*Note*: The Conference Committee retained these amendments.]

Senate Committee of the Whole

The Senate Committee of the Whole amended the bill to insert the provision permitting payment under protest appeals by taxpayers who have previously appealed their valuation pursuant to the equalization appeal procedure. [*Note*: The Conference Committee retained this amendment.]

HB 2254 (Agritourism Land Classification)

The bill was introduced by Representative Neelly.

House Committee on Taxation

In the House Committee hearing, **proponent** testimony was provided by Representative Neelly and representatives of Kansas Farm Bureau and Z&M Twisted Winery. The proponents generally stated agritourism businesses are generally agricultural in nature and should not have their property classified as commercial due to retail transactions associated with agritourism activities.

Written-only neutral testimony was provided by a representative of the Department of Commerce.

The House Committee amended the bill to specify the provision would begin in tax year 2023 and to clarify the permissible sales without resulting in reclassification of land would be those associated with the registered agritourism activity.

House Committee of the Whole

The House Committee of the Whole amended the bill to make the provision retroactive to tax year 2021. [*Note*: The Conference Committee retained this amendment.]

SB 40 (Homestead Program Changes and Net Operating Losses)

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Tyson.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by representatives of BridgeBuilder Tax and Legal Services and the National Federation of Independent Businesses. Proponents stated the bill would allow Kansas taxpayers to benefit from 2020 changes to the federal tax code.

No other testimony was provided.

Senate Committee of the Whole

The Senate Committee of the Whole amended the bill to insert the contents of SB 80, as amended by the Senate Committee on Assessment and Taxation, regarding certain refunds under the Homestead Property Tax Relief Fund, and to further amend those contents to increase the income threshold to \$75,000. [*Note*: The Conference Committee modified this amendment.]

SB 80 (Homestead Property Tax Refund Act Changes)

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Tyson.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, written-only **proponent** testimony was provided by a representative of the Kansas Policy Institute.

Neutral testimony was provided by a representative of the Military Officers Association of America-Kansas.

No other testimony was provided.

The Senate Committee amended the bill to increase the maximum appraised value of a claimant's home and provide for retroactivity of the provisions of the bill. [*Note*: The Conference Committee modified this amendment.]

SB 252 (Government Competition Property Tax Exemption)

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Peck.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by Senator Masterson and a representative of the Kansas Chamber of Commerce. The proponents generally stated the bill would discourage government entities from engaging in conduct in competition with private sector business enterprises.

Written-only proponent testimony was provided by a representative of Americans for Prosperity-Kansas.

Opponent testimony was provided by representatives of the Kansas Association of Counties, Kansas County Commissioners Association, Kansas Emergency Medical Services Association, and League of Kansas Municipalities. The opponents generally stated the bill would shift the tax burden to residential property owners and would not clearly define what constitutes government competition against private businesses.

Written-only opponent testimony was provided by representatives of the cities of Concordia, Manhattan, McLouth, Merriam, Mission, Overland Park, Prairie Village, Topeka, and Westwood Hills; Ford and Miami counties; Johnson County Board of County Commissioners; Kansas Legislative Policy Group; and Sedgwick County Board of County Commissioners.

The Senate Committee amended the bill to:

- Eliminate ambulance services as businesses qualifying for the exemptions;
- Limit the geographic qualification for the exemptions from counties to cities;
- Eliminate facilities receiving funds from property taxes levied by a taxing subdivision as triggering eligibility for the exemptions; and
- Require that the competing activity began after the business was active in order to qualify for the exemptions.

Senate Committee of the Whole

The Senate Committee of the Whole amended the bill to exclude sales of goods and services at facilities financed as a result of an election providing for the imposition of a tax or the sale of bonds from the definition of “competing against the business.”

[*Note:* The Conference Committee modified the contents of the bill as amended by the Senate Committee of the Whole.]

HB 2106 (Telecommunications Infrastructure Sales Tax Exemption)

The bill was introduced by the House Committee on Taxation at the request of a representative of AT&T.

House Committee on Taxation

In the House Committee hearing, **proponent** testimony was provided by representatives of AT&T, Brightspeed, and the Kansas Cable Telecommunications Association. Proponents generally stated the bill would enable them to maximize the use of recent state and federal assistance for broadband infrastructure. Written-only proponent testimony was provided by representatives of the Kansas Chamber of Commerce, T-Mobile, and WANRack.

Opponent testimony was provided by a representative of the League of Kansas Municipalities, generally stating the exemption would erode the local tax base and reduce the amount of sales tax revenues to local governments.

No other testimony was provided.

House Committee of the Whole

The House Committee of the Whole amended the bill to insert the July 1, 2028, expiration date of the exemption. [Note: The Conference Committee retained this amendment.]

SB 53 (Manufacturer's Coupons Sales Tax Exclusion)

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Tyson.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by a private citizen, who stated the bill would allow customers to pay sales tax on the actual amount they pay for a product, rather than on the price without the coupon.

No other testimony was provided.

The Committee amended the bill to change the effective date of the exclusion to January 1, 2024. [Note: The Conference Committee retained this amendment.]

HB 2465 (SALT Parity Act Changes)

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

House Committee on Taxation

In the House Committee hearing, **proponent** testimony was provided by a representative of the Kansas Society of Certified Public Accountants, who generally stated the bill would resolve technical discrepancies related to the SALT Parity Act.

No other testimony was provided.

SB 96 (Pregnancy Resource Act)

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Tyson. [Note: The House Committee on Health and Human Services replaced the contents of SB 96 with the contents of SB 282, as amended by the Senate Committee on Commerce. The Conference Committee inserted into SB 8 the contents of SB 96, as introduced].

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by a client of Insight Women's Center and representatives of Advice and Aid Pregnancy Center; Embrace of Wichita; Insight Women's Center; KC Pregnancy Clinic; and Lifeline Children's Services. Proponents generally stated nonprofit pregnancy centers and residential maternity centers provide valuable services to pregnant women and children and relieve taxpayers of some of the burden of supporting families in crisis, and the bill would increase donations to such organizations and allow them to increase services.

Written-only proponent testimony was provided by a client of Advice and Aid Pregnancy Center and representatives of Campaign Life Missouri, Heart Choices Pregnancy & Parenting Resource Center, Kansas Catholic Conference, Kansas Family Voice, Kansans for Life, Pregnancy & Family Center of Southeast Kansas, and Wyandotte County Pregnancy Clinic.

Written-only **opponent** testimony was provided by a representative of Planned Parenthood of Great Plains.

No other testimony was provided.

SB 147 (Adoption Tax Credit)

The bill was introduced by Senator Blasi.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by Senator Blasi, generally stating the bill would assist families by providing an immediate offset to some of the costs of adopting a child.

Written-only proponent testimony was provided by representatives of Kansans for Life, Kansas Catholic Conference, and Kansas Family Voice.

No other testimony was provided.

The Senate Committee amended the bill to remove a provision that would have made the credit refundable. [Note: The Conference Committee did not retain this amendment.]

Senate Committee of the Whole

The Senate Committee of the Whole amended the bill to provide for refundability of the adoption tax credit, to provide for an extra 50 percent credit for certain children with special needs, and to provide for an increase to the child and dependent care expense credit from 25 percent to 50 percent. [Note: The Conference Committee modified these amendments.]

SB 33 (Employment Tax Credit Disallowances)

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Tyson. The Senate Committee of the Whole amended the provisions of several bills into the bill. The only portion of the bill with relevant provisions in the Conference Committee Report is SB 81.

SB 81 (Federal Tax Credit Disallowance Subtraction Modifications)

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Tyson.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by a representative of the Kansas Restaurant and Hospitality Association, generally stating the bill would allow employers who benefit from federal tax credits to still be able to deduct otherwise deductible expenses on their state income taxes.

No other testimony was provided.

HB 2275 (Disability Employment Tax Credit Changes)

The bill was introduced by the House Committee on Commerce, Labor and Economic Development at the request of Representative Mason.

House Committee on Commerce, Labor and Economic Development

In the House Committee hearing, **proponent** testimony was provided by representatives of Cerebral Palsy Research Foundation of Kansas, Goodwill Industries of Kansas, and Interhab. The proponents generally stated the bill would extend and expand a program that helps facilitate employment opportunities for individuals with disabilities who would otherwise likely be dependent on public support.

Written-only proponent testimony was provided by Representative Mason and representatives of Envision, Multi Community Diversified Services, and the Wichita Regional Chamber of Commerce.

Opponent testimony was provided by representatives of Disability Rights Center of Kansas, Kansas Council on Developmental Disabilities, and the Self Advocate Coalition of Kansas. The opponents generally stated changes in the bill would extend the benefits of the tax credit to organizations who pay less than minimum wages to individuals with disabilities.

Written-only opponent testimony was provided by representatives of the Self Advocate Coalition of Kansas and a private citizen.

The House Committee recommended the bill be passed on February 14, 2023, but the bill was withdrawn from the House Calendar and referred to the House Committee on Appropriations on February 23, 2023. The bill was then withdrawn from the House Committee on Appropriations and rereferred to the House Committee on Commerce, Labor and Economic Development on March 1, 2023. The House Committee again recommended the bill be passed on March 6, 2023.

House Committee of the Whole

The House Committee of the Whole amended the bill to eliminate the extension of the tax credit to organizations who pay less than minimum wages to individuals with disabilities and to create the Sheltered Workshop Transition Grant program. [*Note:* The Conference Committee did not retain these amendments.]

Fiscal Information

According to the Department of Revenue, the provisions of the bill with quantifiable state fiscal effects would have the following effect:

(Dollars in Millions)

	FY 2024	FY 2025	FY 2026
Homestead Program Changes	\$ (27.6)	\$ (28.4)	\$ (38.8)
RNR Reimbursement Extension	-	(1.3)	-
Telecommunications Sales Tax Exemption	(13.9)	(14.0)	(14.0)
Manufacturer's Coupons Sales Tax	(0.8)	(1.9)	(1.9)
Net Operating Losses	(8.4)	(8.4)	-
Employment Credit Disallowances	(7.3)	(2.8)	(1.4)
Pregnancy Resource Act	(10.0)	(10.0)	(10.0)
Adoption Credit Changes	(10.6)	(10.6)	(10.6)
Disability Employment Act Credit	(0.5)	(0.5)	(0.5)
<i>Subtotal State General Fund</i>	<i>\$ (79.1)</i>	<i>\$ (77.9)</i>	<i>\$ (77.2)</i>
Telecommunications Sales Tax Exemption	\$ (2.9)	\$ (3.0)	\$ (3.1)
Manufacturer's Coupons Sales Tax	(0.1)	(0.4)	(0.4)
<i>Subtotal State Highway Fund</i>	<i>\$ (3.0)</i>	<i>\$ (3.4)</i>	<i>\$ (3.5)</i>
Personal Property Filings Penalties	\$ (0.4)	\$ (0.4)	\$ (0.4)
RNR Reimbursement Extension	-	1.3	-
<i>Subtotal All Other State Funds</i>	<i>\$ (0.4)</i>	<i>\$ 0.9</i>	<i>\$ (0.4)</i>
Total All Funds	\$ (82.5)	\$ (80.4)	\$ (81.1)

The following provisions would have either an indeterminate fiscal effect, a negligible fiscal effect, or no state fiscal effect:

- The property tax exemption related to government competition would have an indeterminate fiscal effect on state and local property taxes;
- The provisions related to agritourism land classification and agricultural land adverse influences would have indeterminate fiscal effect on state and local property taxes;
- The provisions reducing withholding remittance penalties would have an indeterminate, likely negligible, positive effect on state receipts;
- The provisions related to the SALT Parity Act would have no fiscal effect; and
- The provisions related to revenue neutral rate hearing notices, property valuation notices, and property valuation appeals would have no fiscal effect.

Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2024 Governor's Budget Report*.

Taxation; income tax; sales tax; property tax; personal property filings; withholding penalties; homestead program; government competition; SALT Parity Act; property valuation; revenue neutral rate; reimbursement; hearing notices; valuation appeals; sales tax exemption; agritourism; land classification; agricultural land; adverse influences; net operating losses; manufacturer's coupons; pregnancy resource act; adoption tax credit; employment tax credits disallowances; disability employment act

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