Kansas Reinvestment Housing Incentive District Act; Amendments to the Kansas Housing Investor Tax Credit Act; SB 17

SB 17 updates the designation of and references to the Kansas Rural Housing Incentive District Act to the Kansas Reinvestment Housing Incentive District Act and creates certain housing projects criteria in designated cities with a population of 60,000 or more, amends the Act to expand the list of costs that could be paid for by proceeds of special obligation bonds, and amends the Kansas Housing Investor Tax Credit Act (HITCA) to expand the transferability of tax credits that would be issued under that act.

The bill takes effect upon publication in the *Kansas Register*.

Reinvestment Housing Incentive Districts

The bill updates the designation of and references to the Kansas Rural Housing Incentive District Act to the Kansas Reinvestment Housing Incentive District Act (Act). [*Note:* Enacted in 1998, the Kansas Rural Housing Incentive District Act was established with a purpose of encouraging the development and renovation of housing in rural cities and counties by authorizing these entities to assist directly in the financing of public improvements that support housing in rural areas of Kansas that experience a shortage of housing.]

Project Criteria for Certain Cities

Under the bill, cities establishing a Reinvestment Housing Incentive District (RHID) will not be able to, within the district:

- Designate more than 100 units as for-sale units in one year;
- Designate more than 100 units as for-rent units in one year;
- Designate more than 50 units associated with a single project as for-sale units within one year; or
- Designate more than 50 units associated with a single project as for-rent units within one year.

For-sale units not sold within six months after the certificate of occupancy is granted will be eligible to be redesignated as for-rent units. The bill also indicates that the governing body will be able to designate for-sale and for-rent units for succeeding years as part of a proposed multi-phased, multi-year development plan.

The bill requires the average size of each residence constructed per project within a RHID to be no larger than 1,650 square feet, excluding any garage or other exterior area, such as a porch, patio, or unattached storage building.

The bill makes these new requirements a part of and supplemental to the Act.

Definitions. The meaning of "city" for these projects is any city with a population of 60,000 or more, as certified by the Secretary of State to the Director of the Budget, except for the city of Topeka. [*Note:* The city of Topeka is included in requirements under law specific to rural housing incentive districts.]

The bill also modifies within provisions applicable to RHIDs the term "county" to mean any county with a population of less than 85,000, changed from less than 80,000.

Purpose of Act, references. The bill also modifies the purpose of the Act to remove references to "rural" and continue law encouraging the development and renovation of housing in cities and counties in the state. The bill makes additional updates to remove "rural" and update references to "reinvestment."

Use of Special Obligation Bonds, Expansion of Listed Costs

The bill expands the list of costs that may be paid for by proceeds of special obligation bonds, adding renovation or construction of residential dwellings, multi-family units, or buildings or other structures exclusively for residential use located on existing lots if either:

- The infrastructure, including streets, sewer, water, and utilities, has been in existence for at least ten years; or

- The lots on which the residential units are located have been subject to an improvement district tax assessment because the land is located in an improvement district already established by a city or county.

Kansas Housing Incentive Tax Credit Act

The bill amends the HITCA to expand the transferability of tax credits issued under the Act. Among changes addressing transferees, the bill requires transferees, as well as qualified investors, project builders, and developers as in continuing law, to provide information and documentation to claim the tax credit in the form and manner required by the Secretary of Revenue.

Regarding the claiming of a tax credit, the bill also specifies:

- Any portion of the tax credit that is carried forward could be transferred to another taxpayer;

- All or a portion of the tax credit could be transferred by the qualified investor or any subsequent transferees to one or more persons; and

- There is no limit on the number of times a credit or any portion of a credit can be transferred.

The bill also removes a limitation that specified only the full amount of the tax credit for any one investment may be transferred and may be transferred only one time. The bill further clarifies that the transferee would receive all remaining rights and restrictions for the tax credit being transferred on the date of the transfer.

The bill provides for the calculation of any tax due under provisions in the Insurance Code pertaining to retaliatory taxes (taxes imposed on out-of-state insurance companies); the tax credit will be treated as a tax paid as part of the insurance company's premium tax owed.

[*Note:* Under the HITCA, for tax years 2022 and thereafter, a tax credit could be claimed against Kansas income tax liability, the privilege tax liability imposed upon certain financial institutions, and the premium tax liability imposed upon insurance companies. The tax credit could be claimed by qualified investors and project builders or developers of a qualified housing project.]