

Senate Substitute for HOUSE BILL No. 2026

By Committee on Assessment and Taxation

3-26

1 AN ACT concerning taxation; relating to the local ad valorem tax
2 reduction fund; requiring political subdivisions to adopt a budget that
3 remains at or below revenue neutral and use funds to reduce property
4 tax in order to receive fund distributions; providing for one annual
5 transfer to the fund; relating to the county and city revenue sharing
6 fund and the special city and county highway fund; eliminating the
7 county and city revenue sharing fund and discontinuing certain
8 transfers to the special city and county highway fund; amending K.S.A.
9 79-1479, 79-2960 and 79-2961 and K.S.A. 2023 Supp. 79-2959 and
10 repealing the existing sections; also repealing K.S.A. 79-2965, 79-2966
11 and 79-2967 and K.S.A. 2023 Supp. 79-2964 and 79-3425i.
12

13 *Be it enacted by the Legislature of the State of Kansas:*

14 New Section 1. On July 1, 2024, the director of accounts and reports
15 shall transfer all moneys in the county and city revenue sharing fund to the
16 state general fund. On July 1, 2024, all liabilities of the county and city
17 revenue sharing fund are hereby transferred to and imposed on the state
18 general fund, and the county and city revenue sharing fund is hereby
19 abolished.

20 Sec. 2. K.S.A. 79-1479 is hereby amended to read as follows: 79-
21 1479. (a) On or before January 15, 1992, and quarterly thereafter, the
22 county or district appraiser shall submit to the director of property
23 valuation a progress report indicating actions taken during the preceding
24 quarter calendar year to implement the appraisal of property in the county
25 or district. Whenever the director of property valuation shall determine
26 that any county has failed, neglected or refused to properly provide for the
27 appraisal of property or the updating of the appraisals on an annual basis in
28 substantial compliance with the provisions of law and the guidelines and
29 timetables prescribed by the director, the director shall file with the state
30 board of tax appeals a complaint stating the facts upon which the director
31 has made the determination of noncompliance as provided by K.S.A. 79-
32 1413a, and amendments thereto. If, as a result of such proceeding, the state
33 board of tax appeals finds that the county is not in substantial compliance
34 with the provisions of law and the guidelines and timetables of the director
35 of property valuation providing for the appraisal of all property in the
36 county or the updating of the appraisals on an annual basis, it shall order

1 the immediate assumption of the duties of the office of county appraiser by
2 the director of the division of property valuation until such time as the
3 director of property valuation determines that the county is in substantial
4 compliance with the provisions of law. In addition, the board shall order
5 the state treasurer to withhold all or a portion of the county's entitlement to
6 moneys from ~~either or both of the local ad valorem tax reduction fund and~~
7 ~~the city and county revenue sharing fund~~ for the year following the year in
8 which the order is issued. Upon service of any such order on the board of
9 county commissioners, the appraiser shall immediately deliver to the
10 director of property valuation, or the director's designee, all books, records
11 and papers pertaining to the appraiser's office.

12 Any county for which the director of the division of property valuation
13 is ordered by the state board of tax appeals to assume the responsibility
14 and duties of the office of county appraiser shall reimburse the state for the
15 actual costs incurred by the director of the division of property valuation in
16 the assumption and carrying out of such responsibility and duties,
17 including any contracting costs in the event it is necessary for the director
18 of property valuation to contract with private appraisal firms to carry out
19 such responsibilities and duties.

20 (b) On or before June 1 of each year, the director of property
21 valuation shall review the appraisal of property in each county or district
22 to determine if property within the county or district is being appraised or
23 valued in accordance with the requirements of law. If the director
24 determines the property in any county or district is not being appraised in
25 accordance with the requirements of law, the director of property valuation
26 shall notify the county or district appraiser and the board of county
27 commissioners of any county or counties affected that the county has 30
28 days within which to submit to the director a plan for bringing the
29 appraisal of property within the county into compliance.

30 If a plan is submitted and approved by the director the county or district
31 shall proceed to implement the plan as submitted. The director shall
32 continue to monitor the program to insure that the plan is implemented as
33 submitted. If no plan is submitted or if the director does not approve the
34 plan, the director shall petition the state board of tax appeals for a review
35 of the plan or, if no plan is submitted, for authority for the division of
36 property valuation to assume control of the appraisal program of the
37 county and to proceed to bring the same into compliance with the
38 requirements of law.

39 If the state board of tax appeals approves the plan, the county or district
40 appraiser shall proceed to implement the plan as submitted. If no plan has
41 been submitted or the plan submitted is not approved, the board shall fix a
42 time within which the county may submit a plan or an amended plan for
43 approval. If no plan is submitted and approved within the time prescribed

1 by the board, the board shall order the division of property valuation to
2 assume control of the appraisal program of the county and shall certify its
3 order to the state treasurer who shall withhold distributions of the county's
4 share of moneys from ~~the county and city revenue sharing fund and the~~
5 local ad valorem tax reduction fund and credit the same to the general fund
6 of the state for the year following the year in which the board's order is
7 made. The director of property valuation shall certify the amount of the
8 cost incurred by the division in bringing the program in compliance to the
9 state board of tax appeals. The board shall order the county commissioners
10 to reimburse the state for such costs.

11 (c) The state board of tax appeals shall within 60 days after the
12 publication of the Kansas assessment/sales ratio study review such
13 publication to determine county compliance with K.S.A. 79-1439, and
14 amendments thereto. If in the determination of the board one or more
15 counties are not in substantial compliance and the director of property
16 valuation has not acted under subsection (b), the board shall order the
17 director of property valuation to take such corrective action as is necessary
18 or to show cause for noncompliance.

19 Sec. 3. K.S.A. 2023 Supp. 79-2959 is hereby amended to read as
20 follows: 79-2959. (a) There is hereby created the local ad valorem tax
21 reduction fund. All moneys transferred or credited to such fund under the
22 provisions of this act or any other law shall be apportioned and distributed
23 in the manner provided herein.

24 (b) On January 15 ~~and on July 15~~ of each year, the director of
25 accounts and reports shall make ~~transfers in equal amounts that in the~~
26 ~~aggregate equal 3.63% of the total retail sales and compensating taxes~~
27 ~~credited to the state general fund pursuant to articles 36 and 37 of chapter~~
28 ~~79 of the Kansas Statutes Annotated, and amendments thereto, during the~~
29 ~~preceding calendar year a transfer in the amount of \$54,000,000 beginning~~
30 ~~in fiscal year 2026, and in all fiscal years thereafter, from the state general~~
31 ~~fund to the local ad valorem tax reduction fund; except that: (1). No~~
32 ~~moneys shall be transferred from the state general fund to the local ad~~
33 ~~valorem tax reduction fund during state fiscal years 2023, 2024 and 2025;~~
34 ~~and (2) the amount of the transfer on each such date shall be \$27,000,000~~
35 ~~during fiscal year 2026 and all fiscal years thereafter. All such transfers are~~
36 ~~subject to reduction under K.S.A. 75-6704, and amendments thereto. All~~
37 ~~transfers made in accordance with the provisions of this section shall be~~
38 ~~considered to be revenue transfers from the state general fund.~~

39 (c) The state treasurer shall apportion and pay the amounts transferred
40 under subsection (b) to the several county treasurers on January 15 ~~and on~~
41 ~~July 15~~ in each year as follows: (1) 65% of the amount to be distributed
42 shall be apportioned on the basis of the population figures of the counties
43 certified to the secretary of state pursuant to K.S.A. 11-201, and

1 amendments thereto, on July 1 of the preceding year; and (2) 35% of such
2 amount shall be apportioned on the basis of the equalized assessed tangible
3 valuations on the tax rolls of the counties on November 1 of the preceding
4 year as certified by the director of property valuation.

5 Sec. 4. K.S.A. 79-2960 is hereby amended to read as follows: 79-
6 2960. Each year, the county treasurer shall estimate the amount of money
7 each political subdivision in such county (including the county as one such
8 political subdivision) ~~will~~ *may* receive from the local ad valorem tax
9 reduction fund. The state treasurer shall advise each county treasurer, prior
10 to June 1 of each year, of the amount of the local ad valorem tax reduction
11 fund of the state that the state treasurer estimates (using the most recent
12 available information) will be paid to such county on January 15 ~~and July~~
13 ~~15~~ of the following year. The county treasurer shall, before June 15 of each
14 year, notify the treasurer of each political subdivision of the estimated
15 amount in dollars of the distributions to be made from the local ad valorem
16 tax reduction fund. Such estimate shall be made in accordance with K.S.A.
17 79-2961, *and amendments thereto*. Each *participating* tangible property
18 tax levying political subdivision shall set out a local ad valorem tax
19 reduction fund item of income for one or more tangible property tax funds
20 of general application (excepting bond and interest funds), in its budget for
21 the current year tax levies, the amount which the county treasurer has
22 estimated as the share of such local ad valorem tax reduction funds to be
23 so credited. The director of accounts and reports shall make suitable
24 provision in the budget forms to be used by such subdivisions for listing
25 local ad valorem tax reduction fund income items.

26 Sec. 5. K.S.A. 79-2961 is hereby amended to read as follows: 79-
27 2961. (a) The county clerk shall certify to the county treasurer when
28 budgets are made pursuant to K.S.A. 79-2960, and amendments thereto,
29 and tax levies are filed with the county clerk. Prior to crediting the proper
30 amounts under subsection (c) ~~and except as provided in subsection (d)~~, the
31 county treasurer shall divide the amount paid by the state treasurer to the
32 county treasurer among the county and all other taxing subdivisions of the
33 county, except school districts and any incorporated city within which any
34 portion of the Fort Riley military reservation is located and which would
35 otherwise be a participant in the Riley county allocation, ~~which comply~~
36 ~~with the requirements of this act~~, in the proportion that the product of the
37 last preceding total tangible tax rate of each subdivision, times its
38 equalized tangible assessed valuation for the preceding year, is to the sum
39 of such products of all the tangible tax-levying political subdivisions,
40 except school districts and any incorporated city within which any portion
41 of the Fort Riley military reservation is located and which would otherwise
42 be a participant in the Riley county allocation, exclusive of the levy by the
43 county for any deficiency for state purposes.

1 (b) No political subdivision shall be entitled to participate in the
2 distribution of any money appropriated to carry out K.S.A. 79-2960, and
3 amendments thereto, and this section unless and until such political
4 subdivision has adopted and certified *within the time prescribed by K.S.A.*
5 *79-1801, and amendments thereto*, a budget for the ensuing year ~~which~~
6 ~~shows as a separate item the amount of the distribution to one or more tax~~
7 ~~levy funds of general application within such subdivision except bond and~~
8 ~~interest funds and has certified a tax levy for each such fund that will~~
9 ~~produce a sum of money less than the amount which a maximum levy~~
10 ~~would produce for each such fund, in an amount equal to or in excess of~~
11 ~~the amount of such distribution. The budget of each political subdivision~~
12 ~~also shall show that the aggregate levies made by such tangible property~~
13 ~~tax levying political subdivisions will produce a sum less than the amount~~
14 ~~which the aggregate levy would produce in an amount equal to or in~~
15 ~~excess of the aggregate amount of the budget items of such distribution~~
16 ~~shown in the aggregate levy that shows a total amount of ad valorem tax~~
17 ~~to be levied in an amount that is equal to or less than the total amount of~~
18 ~~ad valorem tax levied for the preceding tax year. For purposes of this~~
19 ~~eligibility requirement, the "total amount of ad valorem tax to be levied"~~
20 ~~shall be such amount as determined before crediting as income any~~
21 ~~estimated amounts of distribution from the local ad valorem tax reduction~~
22 ~~fund. When a political subdivision complies with the provisions of the act~~
23 ~~and is entitled to participate, the tax levy shall be calculated based on the~~
24 ~~certified total amount of ad valorem tax to be levied reduced by the~~
25 ~~estimated amount of the distribution from the local ad valorem tax~~
26 ~~reduction fund credited as income to one or more tax levy funds in~~
27 ~~accordance with K.S.A. 79-2960, and amendments thereto. Political~~
28 ~~subdivisions may choose not to participate in the distribution from the~~
29 ~~local ad valorem tax reduction fund.~~

30 (c) In crediting the amount that has been divided pursuant to
31 subsection (a) ~~or subsection (d)~~, the county treasurer shall proceed as
32 follows: Upon receipt of the payment from the state treasurer each year,
33 credit the appropriate fund or funds of each political subdivision
34 complying with the provisions of this act with its proportionate share of
35 such payment and the county treasurer shall notify such political
36 subdivision of the amounts so credited. This section and K.S.A. 79-2960,
37 and amendments thereto, shall not apply to school districts. *Any amounts*
38 *or shares of such payment that are not credited to a fund or funds because*
39 *political subdivisions did not comply with the provisions of this act shall*
40 *be returned or remitted by the county treasurer to the state treasurer*
41 *within 30 days of receipt. Upon receipt of each such remittance, the state*
42 *treasurer shall deposit the entire amount in the state treasury to the credit*
43 *of the state general fund.*

1 ~~(d) The amount paid by the state treasurer to the county treasurer of~~
2 ~~each county under subsection (d) of K.S.A. 79-2959 and amendments~~
3 ~~thereto, shall be divided only among the one or more community colleges~~
4 ~~or municipal universities, or both, which received amounts under this~~
5 ~~section from the payment made from the local ad valorem tax reduction~~
6 ~~fund on January 15, 1983. The amount received by each such community~~
7 ~~college or municipal university under this subsection shall bear the same~~
8 ~~proportion to the total amount paid to such county under subsection (d) of~~
9 ~~K.S.A. 79-2959 and amendments thereto, as the amount received by such~~
10 ~~community college or municipal university under this section from the~~
11 ~~payment made to such county from the local ad valorem tax reduction~~
12 ~~fund on January 15, 1983, bears to the total amount received by all such~~
13 ~~community colleges and municipal universities under this section from~~
14 ~~such payment.~~

15 Sec. 6. K.S.A. 79-1479, 79-2960, 79-2961, 79-2965, 79-2966 and 79-
16 2967 and K.S.A. 2023 Supp. 79-2959, 79-2964 and 79-3425i are hereby
17 repealed.

18 Sec. 7. This act shall take effect and be in force from and after its
19 publication in the statute book.