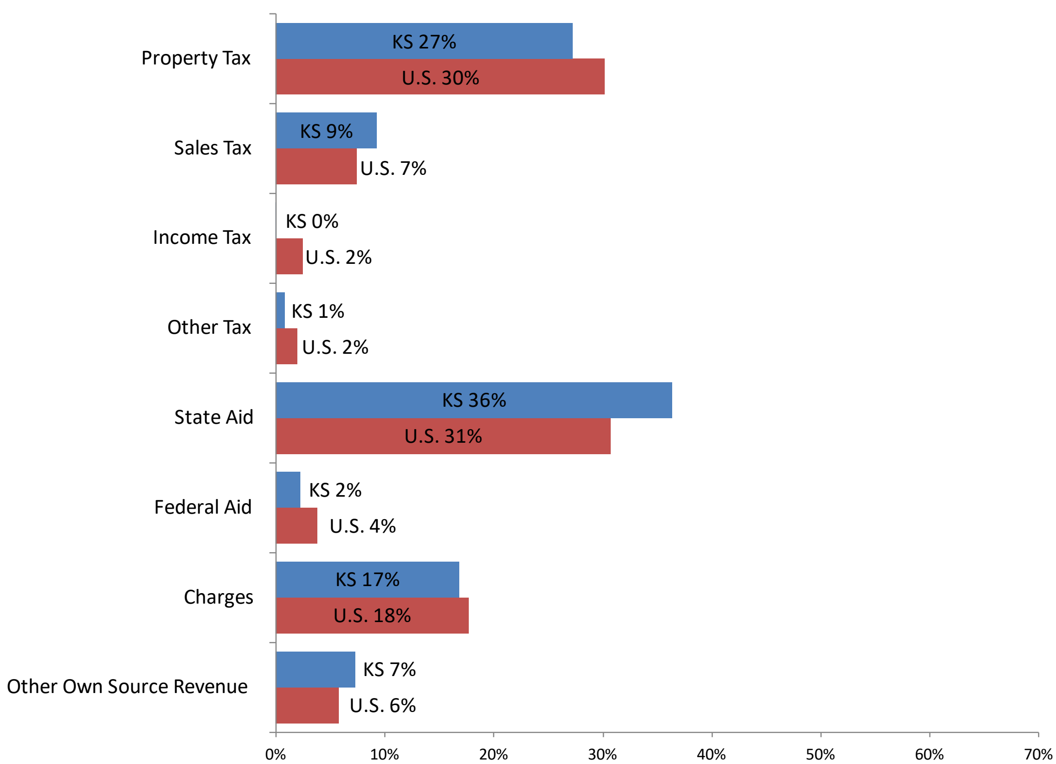
Kansas

Highlights

Property taxes support expenditures by the state, counties, cities, townships, schools, and special districts. Almost three-fourths of total general property tax revenue goes to support school and county functions; the state receives only about 1 percent of the total (Kansas Department of Revenue 2020). Kansas local governments receive 27 percent of general revenue from the property tax (figure KS-1).

Property is classified into 14 different classes with different assessment ratios. Seven of these classes are for real property, and seven are for personal property. Residential property receives an assessment ratio of 11.5 percent. Thus, homeowners multiply the stated property tax rate by $11,500, if their home's market value is $100,000 ($100,000 x 0.115), to derive the tax.

Kansas does tax tangible personal property other than business inventories or household goods but has reduced its reliance on this source by exempting commercial and industrial machinery and equipment purchased or leased after 2006. A locally assessed intangible personal property tax is imposed by some counties and by a few cities, but mostly by townships.



Property Tax Reliance

Traditionally, Kansas sought to be average in national rankings of state-local taxation, and selected property tax statistics mostly confirm that preference (table KS-1).

Table KS-1
Selected Kansas Property Tax Statistics, 2019[1]

	Kansas	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,661	$1,758	*25*
Property tax percentage of personal income	3.1%	3.1%	*19*
Total property tax as percentage of state-local revenue	16.3%	16.6%	*20*
Median owner-occupied home value[2]	$151,900	$217,500	*42*
Median real estate taxes paid for owner-occupied home[2]	$2,137	$2,471	*26*
Effective tax rate, median owner-occupied home[3]	1.4%	1.1%	*15*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2015-2019.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

The Kansas Constitution requires a “uniform and equal rate of assessment and taxation,” with statutes providing a definition of fair market value that county appraisers are required to follow in placing values on property. An exception to fair market value is agricultural land, which is valued on its productivity, or use value.

Each of the state’s 105 counties is a separate appraisal district with responsibility for the determination of assessed valuation (and the collection of property taxes) under state oversight. Based on constitutional amendments in 1986 and 1992, real property is divided into seven subclasses (including residential property assessed at 11.5 percent and commercial and industrial property assessed at 25 percent); personal property is divided into seven subclasses.

Local appraisers are certified by the state and hired by counties and must follow state rules to ensure assessment uniformity. The statistical standards were established by a 1993 state district court case and a court-ordered consent decree.

Limits on Property Taxation

A property tax levy lid passed in 2015 provides that subject to certain exceptions, no city or county may increase the amount of ad valorem tax to be levied over the amount levied in the prior year by an amount greater than the growth in the consumer price index without a vote of the public. This lid took effect in 2017. In 2021, the property tax lid was repealed and replaced with a truth in taxation measure that requires notice to taxpayers and public hearings, but eliminates the public vote mandate.

Property Tax Relief and Incentives

The Kansas Homestead Refund Program, a type of circuit breaker enacted in 1970, provides a rebate of a portion of the property taxes paid on a Kansas resident's homestead based on the total household income (table KS-2). The maximum refund is $700. A Kansas resident for the entire year is eligible if the total household income is $36,300 (in 2020) or less;and the individual is 55 years of age or older *or* is blind or disabled *or* had a dependent child under 18 who lived there all year and was claimed as a personal exemption. Changes in 2007 excluded 50 percent of Social Security benefits from the definition of income and barred from the program any homeowners with a residence valued at $350,000 or more. In 2012, the homestead program was amended to make it available only to owners, thereby excluding renters.

Kansas Property Tax Relief for Low Income Seniors ("SAFESR") provides a refundable income tax credit of 75 percent of residential property taxes paid for homeowners 65 or older with low household income who are year-round residents. In 2020, the income limit was $20,700. An individual can claim either the Homestead refund or a SAFESR refund, but not both.

Kansas allows governmental units to exempt real and personal property, and to enter into in lieu payment arrangements to induce certain economic development activities. These programs are tied to the issuance of industrial revenue bonds, the Economic Development Exemptions program, and/or tax increment financing.

Table KS-2
Kansas Property Tax Features, 2020

Feature	Kansas	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	18
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

From 1964 to 1988, all Kansas property was assessed at 30 percent of market value. In 1986, the state moved to a property tax classification system, which was expanded and modified in 1992.

In 1997, a law was enacted allowing homesteads an exemption from the statewide school levy.

In 1998, the legislature enacted an income tax credit against property tax paid on commercial and industrial machinery and equipment. A 2006 law exempted from property taxation all commercial, industrial, telecommunications, and railroad machinery and equipment acquired by qualified purchase or lease after June 30, 2006 (or transported into the state after that date) for the purpose of expanding an existing business or creating a new business. In 2005, machinery accounted for 6.1 percent of statewide assessed valuation; by 2014, it accounted for 2.1 percent with the run-off of older properties continuing.

In 1999, a tight tax lid was allowed to expire and was replaced by a simple “truth in taxation” provision. This provision required a city or other taxing jurisdiction to adopt an ordinance if revenues from property taxes for the next budget year exceeded those of the prior year unless the increase was due to new improvements to real property, annexations, or certain other reasons. The law did not apply to property taxes levied for the sole purpose of repaying debt. The 1999 provision was replaced by a tighter tax lid in 2015. The new tax lid, which took effect in 2017, provides that subject to certain exceptions, no city or county may increase the amount of ad valorem tax to be levied over the amount levied in the prior year by an amount greater than the increase in the consumer price index without a vote of the public (Lefler 2016).

In March 2014, the Kansas Supreme Court issued its opinion in *Gannon v. State* (*Gannon I*) reaffirming that there is both an adequacy and equity component in determining whether the legislature has met its constitutional obligations for funding education. In February 2016, the Kansas Supreme Court ruled in *Gannon II* that the legislature had not sufficiently complied with its prior equity order in *Gannon I*. Specifically, the court stated that state aid formulas do not provide students with "reasonably equal access to substantially similar educational opportunity through similar tax effort." In October 2017, for the fifth time in seven years, the Kansas Supreme Court ruled that the state's system for funding education fails to meet constitutional standards for both adequacy and equity. The court ordered the state to enact a new funding system before the end of April 2018. Just before the deadline, the legislature enacted a five-year, $500 million school funding increase. The Supreme Court ruled this increase would satisfy the constitution's requirements for adequacy and equity if the funding was adjusted for inflation, estimated to cost between $50 and $90 million per year, and retained jurisdiction through June 20, 2019. In April 2019, Governor Laura Kelly signed into law a bill that increased school funding by $90 million per year for four years and indexed future funding to the consumer price index. The bill also included some accountability measures. In June 2019, the Kansas Supreme Court ruled Governor Kelly's funding plan constitutional, but the court continued to oversee the case to ensure spending plans are implemented (Parton 2019; SchoolFunding Info).

Recent Developments

In May 2021, Governor Kelly signed into law House Bill 2134, fully funding K-12 schools for the third year in a row complying with the 2019 legislation to resolve the *Gannon* lawsuit over which the Kansas Supreme Court has retained jurisdiction (Hanna 2021; Kansas Office of the Governor 2021b).

The Kansas City Metro Area that spans the border between Kansas and Missouri has been the epicenter of a fierce bidding war for business since around 2009 (Hamilton 2019). About a decade later, the states agreed to a truce. Kansas Governor Laura Kelly signed Executive Order No. 19-09 on August 2, 2019, and Kansas City, Missouri passed Ordinance No. 190793 on January 30, 2020, putting an end to the bidding war.

In 2021, Senate Bill 13 repealed the property tax lid law applicable to cities and other taxing jurisdictions that took effect in 2017 and replaced it with a truth in taxation measure. The law established new requirements, such as notices to taxpayers and public hearings, for cities and counties seeking to levy increased property taxes by an amount that exceeds the increase in the consumer price index. The legislation also banned valuation increases of real property solely resulting from normal repair, replacement, or maintenance of an existing structure (Motter 2021).

Governor Laura Kelly signed into law House Bill 2313, providing for reimbursement of property taxes for certain property owners and operators who complied with forced shutdown or restriction orders by the state or local governments resulting from the Covid-19 pandemic. This provision becomes effective January 1, 2022. House Bill 2313 also extended the statewide levy on taxable tangible personal property for the school years 2021–2022 and 2022–2023 and provided for the exemption of a portion of personal property used for residential purposes, such as mobile homes, from such a levy (Chung 2021).

Kansas, like other Midwestern states, has been waging a property valuation battle against big box retailers that argue their properties should be valued using vacant or dark stores as comparable sales. In two recent cases, Home Depot and Bass Pro Shops prevailed in their property tax appeals in Riley County and Johnson County in Kansas, respectively, using the “dark store” assessment theory (Hammill 2021; Moser and Dome 2021). In 2020, to stem such property valuation challenges, the legislature proposed a bill to prohibit big box retailers from appealing country appraisers’ valuation based on the dark store theory, but it failed to pass (Garcia 2020). Legislators introduced two similar bills (House Bill 2402 and Senate Bill 222) in 2021 in their continued fight to eliminate the use of dark store theory (Dome 2021).

The Governor’s Council on Tax Reform, established in 2019, released its second interim report in January 2021. Among other measures, the council recommended including the sale of digital goods in the state sales and use tax base; reactivating the suspended Local Ad Valorem Property Tax Reduction Fund (LAVTRF), which requires the state to distribute some of its sales tax revenue to cities and counties each year to help reduce local property taxes; and adopting the three-legged stool approach, balancing the imposition of sales, income, and property taxes and reducing over-reliance on any single source of revenue. Governor Kelly extended the work of the council through 2021 due to the pandemic (Governor’s Council on Tax Reform, Second Interim Report 2021).

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