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Taxation

T-1 Homestead Program

When Kansas enacted the Homestead Property Tax Refund Act in 1970, it became the sixth state to enact a “circuit-breaker” style of property tax relief.

A “circuit-breaker” is a form of property tax relief in which the benefit is dependent on income or other criteria and the amount of property taxes paid. The moniker developed as an analogy to the device that breaks an electrical circuit during an overload, just as the property tax relief benefit begins to accrue once a person’s property taxes have become overloaded relative to his or her income.

Including Kansas:

- 34 states currently have some form of circuit-breaker program.
- 27 states allow renters to participate in the programs.

Eligibility Requirements:

- Household income of \$32,900 or less; and
- Someone in the household is:
 - Age 55 or above;
 - A dependent under age 18;
 - Blind; or
 - Otherwise disabled.
- Renters were eligible (15 percent of rent is equivalent to property tax paid), until tax year 2013.

Program Structure

The current Kansas Homestead program is an entitlement for eligible taxpayers based upon their household income and their property tax liability. The maximum available refund is \$700 and the minimum refund is \$30.

Recent Legislative History

A 2006 change to the Homestead program expanded it by approximately \$4.5 million. The Legislature in 2007 enacted an even more significant expansion in the program, which increased the size of the program by an additional \$9.9 million.

	Eligible Claims Filed	Amount	Average Refund
FY 2008	96,020	\$31.127 million	\$324
FY 2009	102,586	\$32.819 million	\$320
FY 2010	132,136	\$42.872 million	\$324
FY 2011	120,029	\$42.860 million	\$357
FY 2012	126,762	\$43.049 million	\$340
FY 2013	115,719	\$37.586 million	\$325
FY 2014	86,082	\$29.415 million	\$342

Among the key features of the 2007 expansion law:

- The maximum refund available under the program was increased from \$600 to \$700;
- 50 percent of Social Security benefits were excluded from the definition of income for purposes of qualifying for the program; and
- A residential valuation ceiling prohibits any homeowner with a residence valued at \$350,000 or more from participating in the program.

Hypothetical Taxpayers

The impact of the 2006 and 2007 program expansion legislation is demonstrated on the following hypothetical taxpayers:

	Homestead Refund		
	<u>Pre-2006 Law</u>	<u>2006 Law</u>	<u>2007 Law</u>
Elderly couple with \$1,000 in property tax liability and \$23,000 in household income, \$11,000 of which comes from Social Security benefits.	\$72	\$150	\$385
Single mother with two young children, \$750 in property tax liability and \$16,000 in household income. Allowing hypothetical taxpayers:	\$240	\$360	\$420
Disabled renter paying \$450 per month in rent, with \$9,000 of household income from sources other than disability income.	\$480	\$528	\$616

Beginning in tax year 2013, renters were no longer eligible for the program (pursuant to legislation enacted in 2012).

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