KLRD

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Taxation

L-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. This 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.

Thirty states, including Kansas, currently have some form of circuit-breaker program.

Eligibility Requirements

- Household income of $35,700 or less; and
- Someone in the household is:
  - Age 55 or above;
  - A dependent under age 18;
  - Blind; or
  - Otherwise permanently disabled.

Renters were eligible (15 percent of rent was considered equivalent to property tax paid) until tax year 2013.

Program Structure

The current Kansas Homestead Refund Program is an entitlement for eligible taxpayers based upon their household income and their property tax liability that provides a refund of a percentage of the property taxes actually and timely paid on real or personal property used as their personal residence. The maximum available refund is $700, and the minimum refund is $30.

Legislative History

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

Among the key features of the 2007 expansion law are:

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

Program Claims and Refunds

	Eligible Claims Filed	Amount	Average Refund
FY 2013	115,719	$37.586 million	$325
FY 2014	86,082	$29.415 million	$342
FY 2015	70,343	$23.032 million	$327
FY 2016	76,202	$25.968 million	$341
FY 2017	79,737	$24.649 million	$309
FY 2018	83,155	$24.948 million	$324
FY 2019	73,302	$23.994 million	$327
FY 2020	63,526	$20.853 million	$328

Hypothetical Taxpayers

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

Homestead Refund

	Pre-2006 Law	2006 Law	2007 Law
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	$240	$360	$420
Disabled renter paying $450 per month in rent, with $9,000 of household income from sources other than disability income (no longer eligible, as of tax year 2014)	$480	$528	$616

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L-2 Selected Tax Rate Comparisons

The following tables compare selected tax rates and tax bases with those of nearby states.

SALES TAX			
	Rate	Food	Non-prescription Drugs
Kansas	6.50%	6.50%	Non-exempt
Missouri	4.225%	1.225%	Non-exempt
Nebraska	5.50%	Exempt	Non-exempt
Colorado	2.90%	Exempt	Non-exempt
Iowa	6.00%	Exempt	Non-exempt
Arkansas	6.50%	0.125%	Non-exempt
Texas	6.25%	Exempt	Exempt

Source: Federation of Tax Administrators, as of January 1, 2020.

MOTOR FUEL TAX[1] (cents per gallon)		
	Gasoline	Diesel Fuel
Kansas	24.03	26.03
Missouri	17.42	17.42
Nebraska	30.20	29.60
Colorado	22.00	20.50
Iowa	30.50	32.50
Arkansas	24.80	28.80
Texas	20.00	20.00

[1] *Includes fees such as environmental and inspection fees.*
Source: Federation of Tax Administrators, as of January 1, 2020.

CIGARETTE TAX	
	Excise Tax (cents per pack)
Kansas	129
Missouri	17
Nebraska	64
Oklahoma	203
Colorado	84
Iowa	136
Arkansas	115
Texas	141

Source: Federation of Tax Administrators, as of January 1, 2020.

CORPORATE INCOME TAX				
	Tax Rate	**Number of Brackets**	**Bracket Range**	**Apportionment Method**
Kansas[1]	4.00%	1	Flat Rate	Three factor
Missouri	4.00%	1	Flat Rate	Sales
Nebraska	5.58%-7.81%	2	$100,000	Sales
Oklahoma	6.00%	1	Flat Rate	Three factor
Colorado	4.63%	1	Flat Rate	Sales
Iowa	6.00%-12.00%	4	$25,000-$250,001	Sales
Arkansas	1.00%-6.50%	6	$3,000-$100,001	Double Weighted Sales
Texas[2]	N/A	N/A	N/A	Sales

1 *Kansas levies a 3.0 percent surtax on taxable income over $50,000.*

2 *Texas imposes a franchise tax on entities with more than $1,130,000 total revenues at a rate of 0.75 percent, or 0.375 percent for entities primarily engaged in retail or wholesale trade, on lesser of 70.0 percent of total revenues or 100.0 percent of gross receipts after deductions for either compensation or cost of goods sold.*

Source: Federation of Tax Administrators, as of February 2020.

INDIVIDUAL INCOME TAX							
	Federal IRC Starting Point	**Tax Rate Range**	**Number of Brackets**	**Bracket Range**	**Personal Exemption Single**	**Personal Exemption Married**	**Personal Exemption Dependent**
Kansas	Adjusted Gross Income	3.10%-5.70%	3	$15,000-$30,000	$2,250	$4,500	$2,250
Missouri	Adjusted Gross Income	1.50%-5.40%	9	$1,053-$8,424	-[1]	-[1]	-[1]
Nebraska	Adjusted Gross Income	2.46%-6.84%	4	$3,290-$31,750	$140 (credit)	$280 (credit)	$140 (credit)
Oklahoma	Adjusted Gross Income	0.50%-5.00%	6	$1,000-$7,200	$1,000	$2,000	$1,000
Colorado	Taxable Income	4.63%	1	Flat Rate	-[1]	-[1]	-[1]
Iowa	Adjusted Gross Income	0.33%-8.53%	9	$15,666-$74,970	$40 (credit)	$80 (credit)	$40 (credit)
Arkansas	No Relation to Federal IRC	2.00%-6.60%	6	$4,600-$80,801	$26 (credit)	$52 (credit)	$26 (credit)
Texas	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1 *Colorado and Missouri use the personal exemption amounts provided in the current version of the Internal Revenue Code. The Tax Cuts and Jobs Act of 2017 set the IRC personal exemption amounts at $0.*

Source: Federation of Tax Administrators, as of February 2020.

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L-3 Kansas Property Tax Cycle

The *ad valorem* property tax is the single largest revenue source for Kansas state and local governments, with over $5 billion in taxes levied in both fiscal years 2019 and 2020. While the State receives relatively little direct property tax revenue, this tax makes up more than half of the tax receipts for counties, school districts, cities, and townships. Additionally, the statewide uniform general fund levy for schools is remitted to the State from school districts and serves as a major component of state school finance payments.

This article reviews the 17-month property tax cycle and key dates in Kansas, including appraisal, budgeting and rate setting, and payment of property taxes.

Appraisal and Assessment

The *Kansas Constitution* provides for a classified property tax system, wherein property is generally appraised at fair market value and then assessed at the ratio of appraised value specified for that class of property. Residential property is assessed at 11.5 percent of appraised value, and commercial property is assessed at 25.0 percent of appraised value.

Appraisal Day – January 1

January 1 marks the beginning of the tax cycle and is the date on which all property is considered to be appraised. If a piece of property's value increases or decreases after January 1, that change will not affect the tax associated with that property until the following tax year.

Valuation Notification and Equalization Appeal – March 1

For real estate, if the value of a piece of property changes, the county is required to notify the taxpayer by March 1. The mailing of the valuation notice commences a 30-day window in which taxpayers may appeal the valuation of their property. This equalization appeal opportunity is only for the valuation of the property and not for the actual tax owed. This appeal may be resolved through an informal meeting with the county appraiser or through an appeal process with the State Board of Tax Appeals. Ultimately, appeals may be resolved in the court system.

Municipal Budgeting and Mill Levies

County appraisers are required to notify county clerks of property values on or before June 1, and county clerks are required to notify taxing districts of their aggregate assessed value within the county on or before June 15.

Budget Certification – August 25

Generally, municipalities are required to certify their budgets to county clerks on or before August 25. An additional certification date of October 1 may exist for cities or counties required to hold an election to increase their budget authority beyond that provided for by a property tax lid. Completion of the budgeting process allows the calculation of the tax rate, or mill levy, for each taxing district. The mill levy is determined by dividing the total dollars needed for the budget by the assessed valuation of the taxing district, expressed in mills. One mill is $1 of tax per $1,000 of assessed valuation.

Tax Statements Delivered – December 15

County clerks are required to certify the tax rolls for each taxing district to county treasurers by November 1, and treasurers are responsible for sending tax statements to taxpayers on or before December 15 each year.

Tax Payment and Protests

Tax Payment, First Half – December 20

While a lien attaches to property by operation of law each November 1 for that year's property taxes, the first half of property taxes are not due until December 20. If a tax bill is less than $10, the entire amount is due on December 20. Property taxes are paid to county treasurers, who then distribute the proceeds of the tax to the taxing entities.

While only the first half of the property tax is due on December 20, if the tax is unpaid after that date, interest immediately begins accruing on the entire amount of the property tax.

Payment Under Protest

The payment of the first half of property tax affords a taxpayer a second option for appeal of the property tax, in the form of a payment under protest. To appeal by protest, a taxpayer must pay the disputed amount of property tax and indicate, using a form provided by the county treasurer, that the payment is being made under protest. Generally, the protest form must be filed at or before the time of payment of the first half of property taxes.

The protest must include the specific grounds of the protest. If the grounds of protest are based upon the valuation of the property, the protest must state which portion of the valuation is admitted to be valid. If the protest is based upon inappropriate assessment of tax, the protest must state the portion of the assessment admitted to be valid. A taxpayer who appealed the valuation of their property pursuant to an equalization appeal generally will not be permitted to protest the valuation of their property for the same tax year.

Tax Payment, Second Half – May 10 of following year

The final step of the property tax cycle occurs on May 10 of the following year, when the second half of the property tax is due from the taxpayer to the county treasurer. The treasurer then distributes the proceeds of the tax to the taxing entities.

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