

SESSION OF 2022

SUPPLEMENTAL NOTE ON SENATE BILL NO. 318

As Amended by Senate Committee on
Assessment and Taxation

Brief*

SB 318, as amended, would enact a sales tax exemption for certain fencing and would expand the ability of county commissions to abate property taxes on certain types of real property destroyed or substantially destroyed by natural disasters.

The bill would be in effect upon publication in the *Kansas Register*.

Agricultural Fencing Sales Tax Exemption

The bill would create a sales tax exemption for purchases necessary to reconstruct, repair, or replace a fence used to enclose agricultural land that was damaged or destroyed by wildfires occurring on or after January 1, 2021.

For applicable purchases already made, taxpayers would be entitled to a refund of sales tax upon provision of appropriate documentation.

Disaster Destroyed Property Tax Abatements

The bill would broaden the authority of county commissions to abate property taxes for all buildings and agricultural improvements listed as real property. County Commissions would have the option to abate taxes in situations where such property has been damaged in a

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

gubernatorial-declared disaster and restoration costs would equal or exceed 50 percent of pre-damage market value. An application for an abatement would be required to be filed by December 20 of the year after the natural disaster.

Current law provides for comparable authority for residential homestead properties.

These provisions of the bill would be retroactive to tax year 2019. For natural disasters occurring in 2019 or 2020, applications would be permitted until December 20, 2022.

Background

The bill was introduced by Senators Bowers, Billinger, and Tyson.

In the Senate Committee hearing, **proponent** testimony was provided by Senator Bowers, representatives of the Kansas Livestock Association and the Russell and Ellsworth County Emergency Management Agency, and a private citizen. Proponents described the nature and extent of damage caused by wildfires in the state on December 15, 2021, and noted the cost to replace fencing that farmers and ranchers incur as a result of that damage. Proponents also noted that previously, Kansas had a similar temporary sales tax exemption in place, most recently in 2017 and 2018. Written-only proponent testimony was provided by the Kansas Attorney General and a representative of Kansas Farm Bureau.

No other testimony was provided.

The Senate Committee amended the bill to insert the contents of 2020 Special Session SB 2, as amended by the Senate Committee on Assessment and Taxation, concerning property tax abatements for disaster-destroyed property, with an additional provision to provide for retroactive applications for abatements.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Department of Revenue indicates enactment of the bill is anticipated to reduce state sales tax receipts by \$1.4 million related to the repair and replacement of fencing associated with the December 2021 wildfires. The bill is also anticipated to reduce local sales tax collections by an indeterminate amount.

A fiscal note on the amended bill was not immediately available. Any fiscal effect associated with the bill is not reflected in *The FY 2023 Governor's Budget Report*.

Taxation; natural disaster; sales tax; property tax; wildfire; sales tax exemption; property tax abatements