

Report of the Special Committee on Taxation to the 2026 Kansas Legislature

CHAIRPERSON: Senator Caryn Tyson

VICE-CHAIRPERSON: Representative Adam Smith

OTHER MEMBERS: Senators Craig Bowser, Ethan Corson, Jeff Klemp, Virgil Peck, Mike Petersen, and Brad Starnes; and Representatives Shannon Francis, Marty Long, Tom Sawyer, Jerry Stogsdill, Carl Turner, and Dawn Wolf

STUDY TOPIC

The Committee is directed to review and make recommendations concerning:

- Countywide retailers' sales tax authority and apportionment;
- The mass appraisal process and its uniform application across counties;
- Case administration processes and appropriate staffing at the State Board of Tax Appeals;
- The progression of and source of authority for property tax exemptions;
- The repeal of sales tax exemptions and creation of an endowed permanent fund to provide for future tax relief, as proposed by 2025 HCR 5014;
- All points in which the energy industry is subject to and exempt from taxation;
- The possible issues related to property used to generate renewable energy becoming subject to property tax following the expiration of tax exemptions, including possible alternatives to property tax; and

- Issues related to motor fuels taxes, including tax rates, taxation of electric vehicle charging stations, and the distribution of motor fuel tax proceeds to local units of government.

January 2026

Special Committee on Taxation

REPORT

Conclusions and Recommendations

The Committee recommends the 2026 Legislature:

Sales Tax Authority and Apportionment

- Continue to examine ways to improve the apportionment formula for countywide sales taxes and, if no permanent solution can be identified, continue with the freeze of the fraction of the apportionment attributable to the amount of taxes levied by taxing subdivisions. The Committee recommends this work commence in the House Committee on Taxation;
- Continue to examine the appropriate limitations for countywide sales taxes;

Appraisal Issues

- Evaluate the costs and benefits of consolidating the state's appraisal process by creating appraisal districts and requiring a district appraiser to hold a license for general real property appraisal from the Real Estate Appraisal Board instead of a mass appraiser designation from the Department of Revenue (Department);
- Study imposing a requirement that a mass appraisal of property may be a start point for tax appraisal, but may not be the final appraised amount for a property;
- Examine ways to ensure that the tenant of a property does not directly affect the value of the property;

Property Tax Relief

- Consider various changes to residential property tax relief programs, including streamlining the programs to allow applications on a single form, extending the filing deadline for the programs, examining geographic parity for home valuation limits, considering capping benefit amounts for homes in excess of a valuation threshold in lieu of making such a threshold a bar to the program, and generally identifying graduated scales of benefits for the programs instead of fixed amounts;
- Continue consideration of all possible methods to stabilize or slow property tax increases, including capping valuation growth, revenue growth limitations, and voter approval requirements;
- Examine interest rates charged to taxpayers and taxing entities in cases of tax underpayments or overpayments to improve parity of such interest rates;

Property Tax Appeal Issues

- Consider creating a property tax ombudsmen or taxpayer advocate for Board of Tax Appeals (BOTA) cases and recommend to the Department and BOTA that they recommend the law schools in the state develop a larger bar of attorneys for tax disputes;
- Direct the creation of a flowchart of the property tax appeal processes to benefit taxpayers;
- Consider various changes to processes for situations involving large property tax appeals, including requiring only partial payment of the amount in dispute, identifying ways to accelerate appeals, and allowing for prearrangement of how previously exempted property will come onto the tax rolls at the end of an exemption period;

Transparency and Tracking

- Improve transparency for property tax exemptions and consider modifying the fee structure for property tax exemption applications;
- Improve the tracking and transparency of all tax credits, especially those that have carryforward provisions or large benefit amounts to a small number of taxpayers;

Other Items

- Hold a hearing in the House Committee on Taxation on HCR 5014 and additional review of sales tax exemptions, including possible periodic sunsets requiring further legislative approval or an application fee and a single exemption form for all retailers;
- Seek improvements to motor vehicle sales and use tax remittance processes and motor vehicle data reporting as identified in the Legislative Division of Post Audit report *Reviewing the Department of Revenue's Procedures to Ensure Correct Payment of Sales and Compensating Use Taxes on Motor Vehicle Sales*; and
- Improve tax parity for energy across energy-generation sources, such as wind and solar.

Proposed Legislation: None.

BACKGROUND

The Special Committee on Taxation (Committee) was created by the Legislative Coordinating Council to study topics related to tax administration, property tax, sales tax, and the taxation of energy and energy production. The Committee was authorized to meet for four days.

COMMITTEE ACTIVITIES

The Committee met at the Statehouse on September 17-18, October 13, and November 18, 2025. At the September meeting, the Committee reviewed information on all topics that were referred to the Committee for study. At the October meeting, the Committee reviewed additional information concerning uniformity of property classification and valuation, local sales tax authority, tax case administration and problem resolution, and other tax issues. At the November

meeting, the Committee reviewed additional information on property tax valuation uniformity, taxation of energy production in other states, tax case administration and problem resolution, and residential property tax relief programs.

September 17-18, 2025, Meeting

Tax appeals. The Chairperson of the State Board of Tax Appeals (BOTA) presented information concerning BOTA staffing and case management. The presentation noted BOTA had developed a backlog of cases in recent years as a result of an elevated number of case filings, staff shortages, and an outdated case management system. The presentation included updates on BOTA's efforts to resolve the issues and proposals for further efforts that would require legislative action. One of the recommendations was the creation of a taxpayer advocate to educate and inform taxpayers on relevant laws and BOTA practices as a part of tax appeals.

An attorney regularly practicing law before BOTA also provided information, noting that BOTA staffing levels have declined over time and recommending that some of the changes recommended by BOTA could improve taxpayers' experiences with the agency. The attorney also noted that the bar of attorneys practicing before BOTA has decreased in size over time.

Motor fuel tax. The Secretary of Transportation presented information concerning motor fuel taxes and other taxes and fees related to transportation, such as trip permits and increased vehicle registration fees. The presentation included information on the disposition of revenues across different funds for transportation and the allocation of certain funds to local units of government.

Property tax exemptions. Staff from the Kansas Legislative Research Department (KLRD) presented information concerning property tax exemptions and the number and value of exempt parcels pursuant to categories of exemption across counties in the state.

Tax credits. Staff from the Legislative Division of Post Audit (LPA) presented a report on its limited-scope audit *Reviewing Tax Credits Awarded and Used through the High Performance*

Incentive Program and the Kansas Affordable Housing Tax Credit. The presentation noted that detailed information concerning the High Performance Incentive Program could not be provided due to time constraints associated with the limited-scope audit and data constraints at the Department of Revenue (Department).

Countywide sales tax. Staff from KLRD presented information on the limitations to countywide sales tax authority and exceptions to such limitations, including recent proposals to modify such limitations. The presentation also included detailed information on the apportionment methodology for countywide sales taxes.

A representative of the Sedgwick County Board of County Commissioners provided testimony recommending an alternative method for apportioning countywide sales tax authority that utilizes a factor of taxable value as opposed to levied tax.

Sales tax exemptions. Staff from the Office of Revisor of Statutes briefed HCR 5014, which would propose a constitutional amendment that would create a commission to evaluate and potentially eliminate sales tax exemptions and use the revenue from any such eliminated exemptions to fund an endowment that would be utilized to eliminate state-imposed property taxes and income taxes.

Representative Blake Carpenter, the sponsor of HCR 5014, provided testimony in support of the concurrent resolution. A representative of the Tax Foundation provided testimony noting the possible value of repealing sales tax exemptions but opposing the concurrent resolution, specifically the portion creating a non-elected commission with the authority to repeal legislatively created exemptions.

Property tax. Staff from the Office of Revisor of Statutes presented information on the requirements of the *Kansas Constitution* concerning the uniformity and equality of property taxation and the statutory implementation of such requirements by the Legislature. The Director of Property Valuation from the Department presented information concerning the administrative implementation of these statutory provisions. Two

taxpayers and a representative of the Kansas Policy Institute presented information concerning instances of non-uniformity of taxation throughout the state and recommended approaches to property valuation increases and property tax increases, including capped valuation growth and requiring voter approval for annual property tax increases in excess of a specified amount.

The Director of Property Valuation presented information on the unit valuation methodology and apportionment to taxing districts throughout the state for taxable public utility property. A representative of USD 332 (Cunningham) presented information regarding the adverse impact changes to apportionment of taxable public utility property can have for taxing districts and limitations on the transparency of the public utility valuation and apportionment system.

Energy-generation property tax. The Director of Property Valuation presented information on the Kansas tax exemption for renewable-energy-generation property and how that property will be valued when it is added to the tax rolls at the end of the exemption period. A representative of the Nebraska Department of Revenue presented information concerning Nebraska's nameplate capacity tax that it utilizes in lieu of the state's property tax for renewable-energy-generating property.

Minerals tax. The Director of Property Valuation presented information on mineral leasehold valuation and taxation in Kansas.

The Secretary of Revenue presented an overview of the mineral severance tax in Kansas and noted its history and changes over time.

October Meeting

Taxpayer advocate. Staff from the Department presented information concerning the current taxpayer advocate office within the Department and its history. The testimony noted that the office primarily assists taxpayers with state income tax issues and provides assistance with residential property tax relief program applications.

Vehicle sales tax. Staff from LPA presented a report on its audit *Reviewing the Department of*

Revenue's Procedures to Ensure Correct Payment of Sales and Compensating Use Taxes on Motor Vehicle Sales. The audit included recommendations concerning monitoring and enforcement of counties not remitting tax properly, a need for an improved data system for motor vehicle registration, and the need for improved guidance and training documentation. A representative of the Department indicated that several of the recommendations had been implemented, but the Department had limited ability to take action against counties with remittance problems.

Property valuation. An attorney and taxpayer advocate from Oklahoma presented information concerning the system of valuation growth limitations employed in Oklahoma and the history and electoral outcomes associated with constitutional amendments to create that system. The individual recommended Kansas adopt a similar system.

Two taxpayers provided testimony regarding concerns that property valuations were inconsistent and bore too little connection to the actual market value of various commercial property throughout the state. The taxpayers also noted a lack of transparency and clarity regarding the rationale for the valuations.

Oil and gas depletion fund. Staff from KLRD presented information on the history of the Oil and Gas Valuation Depletion Trust Fund, which was designed to set aside a portion of severance tax receipts in counties with substantial mineral production to offset potential future declines in taxable valuations associated with such mineral production. The fund was created by the Legislature in 2005 and repealed by the Legislature in 2014.

Machinery exemption. Staff from the Office of Revisor of Statutes and a representative of the Property Valuation Division of the Department presented information regarding the exemption for commercial and industrial machinery and equipment and classification issues associated with certain commercial property as either real property, which is subject to taxation, or personal property, which is generally exempt from taxation. The information highlighted the fixtures tests used to make such determinations.

The Seward County appraiser, a newspaper publisher from Seward County, and a Seward County taxpayer presented information concerning the difficulty in applying the classification distinction for a Seward County ethanol plant and the difficult position the appeal of several years of property classifications has created for taxpayers and taxing entities within the county.

Sales tax apportionment. Staff from KLRD presented information concerning various alternatives to the current countywide sales tax apportionment formula, including options that use taxable value in lieu of tax levied and options using only population.

November Meeting

Revenue estimates. Staff from KLRD presented the State's consensus revenue estimates, which were updated on November 13, 2025. The revised estimate for FY 2026 was increased by \$165.9 million, or 1.6 percent, to \$10.2 billion and the initial estimate for FY 2027 was set at \$10.1 billion.

Valuation uniformity. The Director of Property Valuation presented follow-up information on mass appraisal and property valuation uniformity in response to concerns raised by taxpayers at the September meeting. The Director also presented information on various interest rates charged against taxpayers in cases of delinquent taxes and against taxing entities in cases of tax overpayments.

Taxpayer advocate. The BOTA Chairperson and the Secretary of Revenue presented information concerning recommendations for a taxpayer advocate for cases and proceedings before BOTA. The Chairperson and Secretary recommended that the advocate not be housed within BOTA and that the advocate focus on improving taxpayer education on the property tax process and relevant laws. The BOTA Chairperson also provided an update on BOTA operations since the September meeting.

Property tax. An attorney with a property tax litigation practice presented observations and recommendations on the Kansas property tax system. The recommendations included increased reliance on single property appraisals as opposed

to mass appraisals, increased licensure requirements for county appraisers, decreased reliance on sales ratio studies as a means to evaluate appraiser performance, and valuation of certain commercial properties that does not take into account the tenant of the property.

Oklahoma property tax approach. A representative of the Oklahoma Council of Public Affairs presented information on Oklahoma's approach to millage rate limits, valuation growth limits, and the valuation of agricultural property and recommended that Kansas adopt similar policies.

Valuation growth limit scenarios. A representative of the Kansas Policy Institute presented county-level simulations for tax scenarios if valuation growth limitations were in place in the past and estimated what such limitations might result in prospectively. The testimony also included analysis indicating that implementing a revenue growth limitation without a valuation growth limitation would result in a system that could still allow tax increases on certain properties in excess of the revenue limitation.

Tax relief programs. Staff from KLRD presented information on residential property tax relief programs in Kansas. The presentation noted that Kansas' three different programs have different eligibility criteria and benefit determinations and, in some cases, differing definitions of key terms. Accordingly, the three programs are administered through three different tax forms and some taxpayers may have to fill out each form prior to knowing which program will be most beneficial to them.

Energy production tax. Staff from KLRD presented information on Wyoming's taxation of certain energy generation. Unlike the Nebraska tax discussed at the September meeting, the Wyoming tax is based on production rather than generation capacity and is in addition to the property tax, rather than in lieu of the property tax. The presentation noted that the tax applies to wind generation and nuclear generation, but does not apply to solar generation.

Property tax exemptions follow-up. Staff from KLRD presented follow-up information

concerning the county-level property tax exemption information presented at the September meeting. The presentation included information for counties that were unintentionally omitted at the September meeting.

CONCLUSIONS AND RECOMMENDATIONS

The Committee held preliminary discussion of possible recommendations at the conclusion of its October 13 meeting, with further discussion and final agreement on recommendations at the conclusion of its November 18 meeting.

The Committee recommends the 2026 Legislature:

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legislative approval for continuation or an application fee and a single exemption form for all retailers;

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