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300 SW TENTH AVENUE ■ SUITE 24-E ■ TOPEKA, KS 66612 ■ (785) 296-2321

MEMORANDUM

To: House Committee on Financial Institutions and Pensions
From: Office of Revisor of Statutes
Date: March 15, 2023
Subject: SB 34; Expanding the use and availability of rural housing incentive districts.

Senate Bill No. 34 (SB 34) would expand the Kansas Rural Housing Incentive District Act (Act) to allow for certain housing projects in cities with a population exceeding 60,000.

Generally, the Act allows cities with a population of under 60,000 to establish rural housing incentive districts for the purpose of encouraging the building of housing in rural areas. A city that establishes a district may then issue special obligation bonds to finance the infrastructure development for additional housing within the district. The bonds are paid for from the increased property tax revenues resulting from the increased property valuation. In 2022, the Act was amended to allow the City of Topeka exercise powers under the Act and to allow bond proceeds to be used for the renovation of existing residential structures that were at least 25 years old.

SB 34 would establish a new statute within the act applicable solely to cities with a population of 60,000 or more. Housing projects in a district established under the new statute would be limited as follows:

- The city could only designate up to 100 residential units as for-sale units in a year with not more than 50 such units designated for any one project.
- The city could only designate up to 100 residential units as for-rent units in a year with not more than 50 such units designated for any one project.
- The average size of a residential unit cannot exceed 1,650 square feet, excluding any garage and exterior areas, such as porches, patios, etc.

SB 34 also would expand the list of costs that may be paid for from the bond proceeds. The bill would allow bond proceeds to be used for the renovation or construction of residential dwellings if either: (1) the infrastructure for such development, such as streets, sewer, water, and utilities, has been in existence for at least 10 years; or (2) the lots on which the residential units are located has been subject to an improvement district tax assessment because the land is located in an improvement district already established by a city or county.

If enacted, SB 34 would become effective on July 1, 2023.

The Senate made no amendments to the bill and passed SB 34 30-6 on February 23, 2023.

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MEMORANDUM

To: House Committee on Financial Institutions and Pensions
From: Office of Revisor of Statutes
Date: March 15, 2023
Subject: SB 37; Expanding the transferability of income, privilege and premium tax credits issued under the Kansas housing investor tax credit act.

Senate Bill No. 37 (SB 37) would expand the transferability of tax credits issued under the Kansas Housing Investor Tax Credit Act (Act). Enacted in 2022, the Act allows taxpayers who invest in or develop housing projects in Kansas to apply to the Director of Housing for the Kansas Housing Resources Corporation. If approved by the Director, the investor can receive a tax credit for each residential unit developed up to 40 units per year. The residential units can be either single or multi-family. The amount of the tax credit issued is for the cash investment in the project subject to statutory limitations depending on the population of the area where the housing project is located. In counties with a population of not more than 8,000, the tax credit cannot exceed \$35,000 per unit. In counties with a population of more than 8,000, but not more than 25,000, the tax credit cannot exceed \$32,000 per unit. In all other counties, the tax credit cannot exceed \$30,000 per unit.

Under the Act, if the taxpayer was issued a tax credit and did not have any tax liability against which the credit could be applied, the taxpayer could transfer the full amount of the tax credit to another taxpayer. SB 37 would provide more flexibility to a taxpayer wanting to transfer their tax credit. Under the bill a taxpayer could transfer all or a portion of the tax credit amount to another taxpayer. Additionally, any transferee receiving a transferred tax credit, whether all or a portion, could make a subsequent transfer of all or a portion of the amount received to another taxpayer. SB 37 would keep the current requirement that the tax credit must be claimed within the first five years after it is issued.

If enacted, SB 37 would become effective on publication in the Kansas Register.

The Senate Committee on Financial Institutions and Insurance amended the bill to include a new subsection (f) that says for purposes of calculating any tax due under K.S.A. 40-253, the credit allowed by this section shall be treated as a tax paid under K.S.A. 40-252.

SB 37 passed the Senate 35-4 on February 23, 2023.