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House developing soft cap on property tax appraisals

By **Brad Cooper**
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House Republicans are crafting a response to a constitutional amendment capping property tax appraisals that was passed by the Senate on Thursday.

The proposal being written by House Republicans would impose a softer cap than the one established by the Senate proposal.

The Senate's amendment capped property tax appraisals at 3% for tax purposes starting with property values when compared to tax year 2022.

The new House proposal would limit appraisal increases for residential property to a rolling six-year average of home property values across the state or the current fair market value, whichever is less.

Adam Smith, chair of the House tax committee, said the goal is to smooth out spikes in property valuations so they're more stable and property taxes are more predictable.

Smith said a hard cap on property appraisals, like the one passed by the Senate, creates disparities between a home's fair market value and the taxable value.

"It might work great for the first few years, but you get 10, 15, 20 years out, you could potentially have some properties that are valued at 200%, 250% of what their getting taxed on," Smith said. "That's going to create a very big fairness issue."

The new cap proposed by the House would apply to new construction or a remodeling job that increases home values by 50% or more from the previous year.

For a new home built on a vacant lot, the six-year average would be phased in with the full-market value applying in the first year.

"Local governments will receive the tax base increase when new construction happens," Smith said.

In the second year, a newly constructed home would be appraised on a two-year residential average and that would continue increasing each year until it reaches the sixth year.

If a property is demolished the value would be reduced immediately. A property's value also would be decreased if it suffers damages from fire and wind or another incident.

The cap would still apply when a property is sold or transferred.

The bill only would only apply to residential properties although there are still conversations about how commercial property might be included.

Either amendment would go on the ballot this November for voter ratification if it passes the Legislature.

Republican state Sen. Jeff Klemp of Lansing supported the amendment as it came out of the Senate on Thursday.

“The rolling average is an intriguing concept, particularly in its ability to mitigate spikes in data over time. I don’t think it alleviates the burden of excessive valuations, but it would provide a clearer and more consistent financial outlook,” Klemp said in an email.

“With the expertise of the House’s skilled tax committee, there is reason to be hopeful that they will identify a solution that effectively addresses the needs of Kansans, or their solution may pair nicely with what was just approved by the Senate,” he said.

The Senate amendment would limit increases in property values for tax purposes to 3% each year.

So, while the appraised value of the property would not be limited under the amendment, a 3% cap would be placed on the property value for tax purposes relative to appraised property values in 2022.

The Senate cap would not apply in cases where new construction or improvements have been made to the property. The cap would still apply when a property is sold, a change made in the bill as it came out of committee.