The Basics of SB 13/HB 2104:
Legislation Requiring a Hearing to Exceed the Revenue Neutral Rate

What are SB 13 and HB 2104?

During the 2021 legislative session, the tax lid was removed and the legislature enacted SB 13 and HB 2104. This legislation establishes new notice and public hearing requirements if the proposed budget will exceed the property tax levy's revenue neutral rate. These requirements take effect this year (2021), for a city's 2022 budget.

What is a Revenue Neutral Rate (RNR)?

The tax rate in mills that would generate the same property tax revenue in dollars as levied the previous tax year using the current tax year's total assessed valuation.

How is the Revenue Neutral Rate Calculated?

To calculate the revenue neutral rate, the County Clerk shall divide the property tax revenue for such taxing subdivision levied for the previous tax year by the total of all taxable assessed valuation in such taxing subdivision for the current tax year, and then multiply the quotient by 1,000 to express the rate in mills. (SB 13 Sec. 1(e)(2))

What is a Tax Rate Hearing?

A Tax Rate Hearing is a hearing to exceed the Revenue Neutral Rate (RNR).

$$\text{RNR} = \frac{\text{Last year's total property tax raised in dollars}}{\text{This year's assessed valuation as of June 15}} \times 1{,}000$$

Year-to-Year RNR Sample Calculation

2021 Budget

- City Levied $900,000 in property tax
- Assessed Valuation of property = $29,000,000
- Value of one mill = $29,000
- Mill Rate = 31.034 mills $\left(\frac{\$900{,}000}{\$29{,}000{,}000}\right) \times 1{,}000$

2022 Budget

- In 2021 budget, City levied $900,000
- Assessed Valuation changes to $31,000,000
- Value of one Mill = $31,000
- Revenue Neutral Rate = 29.032 Mills $\left(\frac{\$900{,}000}{\$31{,}000{,}000}\right) \times 1{,}000$

What is the Process to Exceed the RNR (setting a mill levy higher than the RNR)?

1. Notify the County Clerk by July 20 with intent to exceed the revenue neutral rate.
2. Place a notice on the city website and in a newspaper of general circulation in the county by September 10 (and 10 days prior to the hearing).
3. By September 20, conduct a tax rate and budget hearing giving taxpayers an opportunity to comment on the budget.
4. Adopt a resolution or ordinance to exceed the revenue neutral rate.
5. Adopt the proposed budget.
6. By October 1, certify to the County Clerk the amount of ad valorem tax to be levied by the City.

HELPFUL TIPS!

1. **The tax lid was about actual dollars. The revenue neutral rate is about the MILL LEVY not total dollars!**
2. **If the City does not hold a hearing to exceed the revenue neutral rate, the City will need to work with the County Clerk to ensure that, when final assessed values are calculated, the City's mill levy does not exceed the revenue neutral rate. If it does, the city will need to amend the budget or refund any property taxes levied in excess of the revenue neutral rate.**

THE LEAGUE OF KANSAS MUNICIPALITIES

Applying SB 13/HB 2104 to the Budget Process

STEP 1 Receive Revenue Neutral Rate from the County Clerk by June 15.

STEP 2 Determine the budget needs for City's upcoming budget year and determine the amount of property tax will be required to fund the budget.

STEP 3 Determine if the amount needed will require a tax levy exceeding the Revenue Neutral Rate.

If YES, follow these steps:

1. Notify the County Clerk by July 20 with the City's intent to exceed the revenue neutral rate.
2. Beginning in 2021 (for 2022 budget year), publish a notice on the city website and a newspaper of general circulation in the county. Notice must be given 10 days before the hearing. The notice must provide details for both a tax rate hearing and budget hearing.
3. By September 20, conduct a tax rate AND budget hearing. A tax rate hearing is defined as a hearinng to exceed the RNR. Adopt a resolution or ordinance to exceed the RNR.
4. Adopt the proposed budget or any lesser amount. A budget cannot exceed the amount proposed.
5. On or before October 1, certify to the County Clerk the amount to be levied.

If NO, follow these steps:

1. On or before August 5, publish the proposed budget and hearing notice (must include the RNR).
2. On or before August 15, hold a public hearing on the budget.
3. On or before August 25, certify the City budget and tax levies to the County Clerk.

NOTE: If the City does not hold a hearing to exceed the revenue neutral rate, the City will need to work with the County Clerk to ensure that, when final assessed values are calculated, the City's mill levy does not exceed the revenue neutral rate. If it does, the city will need to amend the budget or refund any property taxes levied in excess of the revenue neutral rate.



Beginning in 2022, the County Clerk will mail Revenue Neutral Rate notifications to all taxpayers.

THE LEAGUE OF KANSAS MUNICIPALITIES

Find this infographic, and other League infographics visit our website, www.lkm.org/infographics.

County Clerk's Budget Information for the 2022 Budget

John Burke
USD 261
1745 W Grand Ave
Haysville, KS 67060-1234

1. Valuation Information as of June 15, 2021:

	USD General Fund	Estimated Assessed Valuation "Other" & BOND	Capital Outlay (Hearing after May 1, 2017)
Real Estate	139,180,182	157,690,810	157,690,810 **
Personal Property	2,685,595	3,270,832	3,270,832
State Assessed	11,616,588	11,616,588	11,616,588
* **Total**	153,482,365	172,578,230 *	172,578,230

2. **Revenue-Neutral Rate**

General Fund	Other Funds	Capital Outlay Fund	
18.954	35.493		54.447

3. Final Assessed Valuation from the November 1, 2020 Abstract:

Name of County	General Fund	Other Funds
Sedgwick	145,454,449	164,592,974
Total	145,454,449	164,592,974

4. Actual Tax Rates Levied for the 2021 Budget:

Fund	Rate	$ Amount Levied
General	20.000	$ 2,909,089
Special Capital Outlay	8.000	1,316,744
Supplemental General	14.365	2,364,378
Bond & Interest	14.850	2,444,206
Total	57.215	$ 9,034,417

5. Delinquency Rate (from 2019 Tax Year) 3.15%

6. Neighborhood Revitalization District:
Valuation Subject to Rebates 0

7. Tax Increment Financing (TIF):
TIF Total Assessed Valuation 0
TIF Base Year Assessed Valuation 0

8. Watercraft tax estimate 9,391

6/3/2021 Date

Provided by: Kelly B Arnold, Sedgwick County Clerk

Name of County: Sedgwick

* Recreation Commission use this valuation amount.
Note: If the USD supports a recreation commission, please send a copy of this to the recreation commission.

** Property tax exemption granted by the Board of Tax Appeals for properties financed by Industrial Revenue Bonds (IRB) and/or Economic Development Exemption (EDX). If the publc hearing for such exemptions occurred on or after May 1, 2017, the exemptions do not apply to the USD's Capital Outlay levy.

USD 261
HAYSVILLE SCHOOLS

TO: Haysville Board of Education

FR: Dr. Clint Schutte, Associate Superintendent for Business & Finance

DA: June 21, 2021

RE: Truth in Taxation

We are asking for a resolution to notify the Sedgwick County Clerk that Haysville USD 261 will be exceeding the revenue-neutral rate. The noticed tax rate will become the maximum for the district. This resolution changes the timeline for budget adoption and requires a separate hearing for the revenue-neutral rate.

cls

Attach:

Sedgwick County...
working for you

County Clerk's Office
Kelly Arnold, County Clerk
525 N. Main, Suite 211, Wichita, KS 67203
TEL: 316-660-9223 - www.sedgwickcounty.org - FAX: 316-383-7961
sgclerk@sedgwick.gov

INDICATION OF REVENUE NEUTRAL RATE

PURSUANT TO K.S.A 79-1460, 79-1801, 79-2024, 79-2925c

Please indicate below whether your governing body will be exceeding the Revenue Neutral rate:

☑ Yes, we intend to exceed the Revenue Neutral Rate.

Our proposed mill levy for General fund is 20.000
Our proposed mill levy for Other funds is _____
Our proposed mill levy for Special Capital Outlay fund is _____
Our proposed mill levy for Recreation Commission funds is _____

The date of the Hearing is _____ at 10:00 p.m. and will be held at _____
in _____, KS

☐ No, we do not plan to exceed the Revenue Neutral Rate and will submit our budget to the County Clerk on or before August 25, 2021.

_____
SIGNATURE DATE

Blank - Please type here
Title

_____
Tax District