

Kansas property tax bill ‘doesn’t work’ as written

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A proposal centered on replacing property taxes with sales tax revenue generated from a retail surcharge was met with skepticism during a Senate committee hearing.

A public hearing for Senate Bill 488, dubbed the “Kansas Property Tax Freedom Act of 2026,” produced muddled information on the actual legislation itself after the bill’s author — Sen. Michael Murphy, R-Sylvia, conceded that his plan “as written doesn’t work.”

Murphy on March 10 pinned blame for the lack of clarity on a software program that “assumed some things that it shouldn’t have assumed” when crunching numbers related to revenue estimates.

A fiscal note estimated abolishing property taxes would eliminate about \$7.9 billion in state and local tax revenue in the first full year of implementation. Meanwhile, the increased sales tax intended to offset the property tax elimination would only raise about \$1.5 billion, according to Kansas Department of Revenue estimates.

Murphy, whose district includes Hutchinson, told the committee he planned to press forward in his quest to bring “meaningful” property tax relief to Kansans. He added that he has “scenarios that will work,” while declining to elaborate.

“But that’s not for right now,” he said. With a packed Statehouse audience serving as a backdrop, Murphy’s explanation came as a surprise to committee chair Sen. Caryn Tyson, R-Parker.

“You can’t drop a bombshell and say that ‘there’s other things that we could do without giving the committee your ideas,’” Tyson said, as Murphy departed the lectern.

Under Murphy’s plan, the bill would cut property taxes by 50% in 2026 and 75% in 2027 by placing caps on mill levies. By 2028, property taxes would be fully eliminated and replaced with surcharge fees on retail purchases as established by the “Fair Share Purchase Surcharge.” The plan would ultimately need to be approved by voters via a constitutional amendment.

A flat surcharge fee of \$1.60 would be



Kansas Sen. Michael Murphy, R-Sylvia, last week conceded that his plan to replace property taxes with sales tax revenue generated from a retail surcharge “as written doesn’t work.” THE CAPITAL-JOURNAL 2023 FILE PHOTO

applied to purchases of \$20 or more. For transactions less than \$20, a surcharge of 7.6% of the purchase price is assessed. An exemption carveout would apply to SNAP-eligible grocery items, prescription medications, medical devices, motor fuel, mortgage payments, utility services and K-12 tuition.

Lawmakers leave door ajar for SB 488

Lawmakers said they are still open to hearing more about Murphy’s plan if he can come up with revenue estimates related to the surcharge fees. Specifically, they need to know if the lost property tax revenue is being adequately replaced.

“The data was not there,” Tyson told The Capital-Journal, adding, “It’s a conversation we absolutely should look at.” Sen. Jeff Klemp, R-Lansing, told Murphy that his proposal is “not ready for prime time,” but appreciated the effort.

It doesn’t appear as though Murphy’s plan is viewed by lawmakers as a serious contender, as Tyson said she’s la-

ser-focused on other tax relief packages.

• The Senate on Feb. 25 passed SCR 1616, a proposed constitutional amendment to cap appraisal growth. It is similar to a plan the Senate passed last year that was rejected by the House.

• The House on Feb. 26 passed HB 2745, a bill that would restrict local governments from spending above a cap and allow protest petitions to block higher taxes. It is somewhat similar to a plan the House passed last year that stalled in the Senate.

Kansas lawmakers from both parties used the promise of property tax relief as a primary campaign platform during the 2024 election cycle, but continue to come up empty on the pledge.

Tyson is now sounding the alarm. “We need to get those passed into legislation,” Tyson said of SCR 1616 and HB 2745. “If we don’t, we will go home another year, and property taxpayers in Kansas will not see relief.”

Lawmakers, stakeholders debate Murphy’s proposal

David Trabert, CEO of the Kansas Policy Institute, provided neutral testimony while also dismissing the legislation as beyond repairable this session. Trabert asserted that the data used to determine the surcharge fees doesn’t exist.

“You need to know how many transactions take place in order to back into those numbers,” he said. “And the Department of Revenue doesn’t have it.”

Trabert also discussed an aspect of the bill involving the distribution of revenue derived from the surcharge fees. According to Murphy’s blueprint, 48% would be earmarked for school districts,



Dave Trabert, CEO of Kansas Policy Institute, says a bill that would replace property taxes with sales tax revenue generated from a retail surcharge is beyond repairable for this session. THE CAPITAL-JOURNAL 2024 FILE PHOTO

and 35% would go to local taxing entities.

Trabert contended that the distribution is problematic because it’s greater than what school districts are currently receiving by around 3%, while cities and counties would be receiving a drastically reduced slice of the revenue pie.

“The distribution to cities and counties of 35% is 20 points below what they’re actually getting,” he said. “So you would be dramatically underfunding city government.”

Trabert also noted that the bill would force lawmakers to devise a “completely new school finance system because property tax is baked into it.”

Sen. Tim Shallenburger, R-Baxter Springs, suggested that the surcharge fees needed to be “a little fairer.”

“It seems to be higher on the smaller purchases, so we could probably put another tier in there,” he said. “But I think people prefer sales tax to property tax.”

Rep. Adam Smith, R-Weskan, said he’s studied the plan, and all roads lead to “the math.”

“Is the surcharge adequate to replace the local property tax revenue?” asked Smith, who chairs the House tax committee. “And if it only brings in half of what we need, what does that mean for cities, schools, and local entities that rely on property tax?”

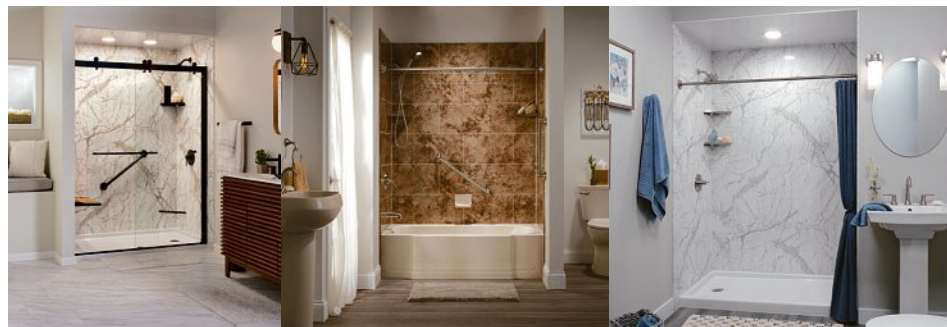
Former Republican Rep. Carrie Barth testified in support of SB 488, saying “people are being taxed out of their homes.” Property tax, Barth said, is the top issue in a state “that is not very affordable — for both businesses, as well as people who own homes and property.”

Tyson postponed a corresponding hearing for SCR 1621, which could have set the stage for a constitutional amendment prohibiting state and local taxing entities from levying property taxes.

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Sen. Caryn Tyson, R-Parker, said while the data wasn’t there to back SB 488 at this time, it’s a concept worth consideration. THE CAPITAL-JOURNAL 2024 FILE PHOTO

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It is similar to the Senate plan from last year, HCR 501I, that a big bipartisan majority rejected in the House.

The preferred approach from House Republicans is a bill restricting local governments from spending above a cap and allowing protest petitions to block higher taxes.

The House passed HB 2745 on Feb. 26.

The Senate was scheduled to vote on the bill on March 12, but instead skipped over it after the House voted down the amendment hours earlier.

“The long answer is yes,” Masterson said in a statement to The Capital-Journal when asked whether the Senate not taking up HB 2745 was because the House rejected SCR 1616.

The move mirrors what happened last year to HB 2396. That was the House’s property tax plan, which the Senate never put up for a vote.

The Senate could still take up HB 2745 before first adjournment on March 27.

“We’ll know more next week,” Masterson said on March 12.

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