**Memorandum**

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| **Identifying Information:** | **Interest Rates** |

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| **Tax Type:** | **Property Tax** |
| **Brief Description:** | **Property Tax Interest Rates for Calendar Year 2000** |
| **Keywords:** |  |
| **Approval Date:** | **10/04/1999** |

**Body:**

**DIVISION OF PROPERTY VALUATION**

TO: All County Treasurers and County Appraisers

FROM: Laura E. Johnson, Deputy Director

DATE: October 4, 1999

SUBJECT: Property Tax Interest Rates for Calendar Year 2000

Please recall in that 1997, the legislature adopted a new law that had two major components. First, it required counties to pay interest to taxpayers. Second, it tied the interest rate the counties pay and collect to an interest rate set forth in the Internal Revenue Code (IRC) as of a specific date. Various statutes provide for some percentage point adjustments to the federal rate. For property tax purposes, the interest rates for calendar year 2000 are the same as 1999:

**Calendar Year 2000**
*(Same as 1999)*
**Interest Rate Applied When a County *Collects* Interest:**

Taxpayer’s late payment of real or personal property taxes: 11%

**Interest Rate Applied When a County *Pays*Interest on Refunds**:

Payment under protests and “equalization” appeals 7%
Tax grievance/clerical error refunds ordered by BOTA 7%
Clerical error refunds ordered by the county 9%

You should also be aware of two Board of Tax Appeals (BOTA) decisions that were issued this year pertaining to the new interest laws:

The Board has ruled that when refunds are issued on or after July 1, 1997, as the result of a clerical error, interest should be paid to the taxpayer back from the date the applicant paid the taxes. (*See, e.g., In the Matter of the Application of Reynolds, Ernest and Darlene, for Relief from a Tax Grievance in Atchison County, Kansas*, Docket No. 97-3542-TG, Kansas Board of Tax Appeals Docket No. 97-3542-TG, November 6, 1997).

The Board of Tax Appeals has held that interest is not paid on refunds ordered as the result of a taxpayer’s request to reduce or abate personal property penalties on the basis of excusable neglect. (*See, e.g., In the Matter of the Application of Cross, Jerry/Cross Service for Relief from a Tax Grievance in Barton County, Kansas*, Board of Tax Appeals Docket No. 97-4953-TG, October 15, 1997).

Finally, below is a recapitulation of some commonly asked questions with answers:

1. Question: Does the Board of Tax Appeals or a Court have to order interest before a county is required to pay it on a refund?

Answer: No. Thus, a county must be well-versed on when interest should be paid.

2. Question: Is interest paid when a refund of delinquent taxes is made?

Answer: No. The law (K.S.A. 79-2005(l)(2)) states that no interest shall be allowed where the tax paid under protest was inclusive of delinquent taxes.

3. Question: Is interest paid on a refund of personal property penalties made because the Board of Tax Appeals abated the penalty on the basis of excusable neglect?

Answer: No. See Board of Tax Appeals Docket No. 97-4953-TG, and the summary of the case in this memorandum.

4. Question: Is interest paid on (1) a payment under protest appeal or (2) an “equalization” appeal if the appeal is commenced *before* July 1, 1997?

Answer: No. Specific language in K.S.A. 79-2005(l) provides that interest is only paid on refunds associated with valuation appeals that are *commenced after* the effective date of the new law: July 1, 1997.

5. Question: Is interest paid on a payment under protest when a refund is issued as the result of a informal meeting with the county appraiser?

Answer: Yes, see the language in K.S.A. 79-2005(a).

6. Question: Can interest be reduced or eliminated?

Answer: Yes, if the Kansas Board of Tax Appeals or a court of competent jurisdiction orders the interest reduced upon a finding that an unreasonable delay was caused by the taxpayer. (K.S.A. 79-2005(l)).

Delinquent Property Tax Interest and Property Tax Interest
Notification of interest rate made annually by the Division of Property Valuation.

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| Delinquent Tax(Taxpayer pays interest) | Details |

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| **YEAR** | **Interest Rate** | **K.S.A. 79-2004 (real property)****K.S.A. 79-2004a (personal property)** |
| July 1, 1997 toDec 31, 1997 | 14% | These statutes deal with the amount of interest a taxpayer must pay when they fail to pay their |
| 1998 | 12% | property taxes by the December 20th and June 20th deadlines. |
| 1999 | 11% | K.S.A. 79-2968 and amendments prescribe the interest rate thereto, plus two percentage points. |
| 2000 | 11% | Interest is “compounded” once on July 1, 1997 to determine a new total balance due. The new total |
| http://rvpolicy.kdor.ks.gov/icons/ecblank.gif | http://rvpolicy.kdor.ks.gov/icons/ecblank.gif | balance due should be the balance used to draw interest until the taxes are paid. Each calendar year interest will be changed as noted on the chart at the left. |

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| Payment Under Protest(no refund on protested delinquent tax)and Equalization Appeals | Details |

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| **YEAR** | **Interest Rate** | Interest on refunds on protested and equalization appeals apply only to those appeals filed on July 1, 1997 and thereafter. K.S.A. 79-2005 (*l*)(1)(2). |
| July 1, 1997 toDec 31, 1997 | 10% | Interest is computed at the rate prescribed by K.S.A. 79-2968, minus two percentage points per annum. |
| 1998 | 8% | Interest is paid on the refund from the date of payment for both payment under protest and equalization |
| 1999 | 7% | appeals and stops accruing the date the county pays the refund. |
| 2000 | 7% | Upon making such refund, the county treasurer shallcharge the fund or funds having received the protested |
| http://rvpolicy.kdor.ks.gov/icons/ecblank.gif | http://rvpolicy.kdor.ks.gov/icons/ecblank.gif | tax, except any portion of the refund attributable to interest the county treasurer shall charge the county general fund. |

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| Tax Grievance / Clerical Error refunds**ordered by BOTA** | Details |

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| **YEAR** | **Interest Rate** | K.S.A. 79-1702. If the tax has been paid, the board may direct an order to refund the amount found to |
| July 1, 1997 toDec 31, 1997 | 10% | have been unlawfully charged and collected and interest at the rate prescribed by K.S.A. 79-2968, |
| 1998 | 8% | minus two percentage points per annum.The Board of Tax Appeals does not specifically order |
| 1999 | 7% | interest to be paid on an ordered refund, therefore the county must have the knowledge on when interest |
| 2000 | 7% | should be paid. See Board of Tax Appeals Rulings below. |

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| Clerical error refunds**Ordered by the county commissioners** | Details |

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| **YEAR** | **Interest Rate** | K.S.A. 79-1701a. Beginning July 1, 1997,when the County Commissioners direct a clerical error refund, |
| July 1, 1997 toDec 31, 1997 | 12% | the amount of the overpayment will include interest at the rate prescribed by K.S.A. 79-2968, from the date |
| 1998 | 10% | of payment from tax moneys collected during the current year. |
| 1999 | 9% | http://rvpolicy.kdor.ks.gov/icons/ecblank.gif |
| 2000 | 9% | http://rvpolicy.kdor.ks.gov/icons/ecblank.gif |

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| ***Important Points to Remember:**** Interest is not paid on delinquent taxes even though delinquent taxes may be paid under protest.
* Interest is paid from the date of payment **except** for the tax grievance statute (K.S.A. 79-1702). See Board of Tax Appeals ruling below.
* Interest stops accruing the date the refund is paid the taxpayer.
* Interest can be reduced or eliminated altogether by the Kansas Board of Tax appeals or a court if they find that an unreasonable delay was caused by the taxpayer.
* Interest must be paid from the general fund.
* Interest is paid on a **payment under protest** appeal when a refund is issued as a result of an informal meeting with the county appraiser.
* Interest is paid only on refunds associated with valuation appeals that are commenced after the effective date of the new law: July 1, 1997.
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| ***Board of Tax Appeals rulings:**** The Board has ruled that when refunds are issued on or after July 1, 1997, as the result of a clerical error, interest should be paid to the taxpayer back from the date the applicant paid the taxes. (Kansas Board of Tax Appeals, Docket No. 97-3542-TG, November 6, 1997).
* The Board has held that interest is **not** paid on refunds ordered as the result of a taxpayer's request to reduce or abate personal property penalties on the basis of excusable neglect. (Kansas Board of TaxAppeals Docket No. 97-4953-TG, October 15, 1997).
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**Date Composed: 06/23/2000 Date Modified: 10/09/2001**

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