What is the Revenue Neutral Rate?

In the 2021 legislative session, the legislature passed legislation that removed the tax lid and established a new approach for truth in taxation – the Revenue Neutral Rate (RNR). This legislation established new notice and public hearing requirements if the proposed budget will exceed the property tax levy’s revenue neutral rate. The resulting statute is K.S.A. 79-2988 et seq.

Who is impacted?

Every taxing subdivision, including regional library systems, collecting ad valorem taxes must abide by the provisions of K.S.A. 79-2988.

Is a municipality’s overall budget allowed to grow each year without exceeding the Revenue Neutral Rate?

YES. K.S.A. 79-2988 only applies to property tax revenue. All other revenue sources – e.g. motor vehicle taxes, E-rate, State Aid – can grow regardless of an entity’s revenue neutral status.

Definitions

✓ “Tax rate” is the mill levy to the third decimal place. For example, 4.575 mills.

✓ “Property tax” is ad valorem taxes.

✓ “Property tax revenue” is the amount of ad valorem tax dollars received in a given year; these are generated by the mill levy rate.

✓ “Revenue neutral rate” is the tax rate in mills that would generate the same property tax revenue in dollars as was levied in the previous year using the current tax year’s total assessed valuation.

✓ “Previous tax year” is the amount of tax dollars levied in the current budget cycle.
**How is the revenue neutral rate calculated?**

Per K.S.A. 79-2988 . . . "Revenue neutral rate" means the tax rate for the current tax year that would generate the same property tax revenue as levied the previous tax year using the current tax year's total assessed valuation. 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. The revenue neutral rate shall be expressed to the third decimal place.

\[
\text{Revenue Neutral Rate} = \frac{\text{Last year's total property tax raised in dollars}}{\text{This year's total assessed valuation as of June 15}} \times 1,000
\]

**2024 Budget**

NEKLS ad valorem tax revenue = $2,350,017  
Total assessed valuation = $2,065,510,890  
Value of one mill = $2,065,511  
Mill Rate = 1.138

**2025 Budget – Revenue Neutral**

What NEKLS levied for 2024 Budget = $2,350,017  
Total assessed valuation grows to = $2,132,321,466  
Value of one mill = $2,132,321  
Revenue Neutral Rate = 1.103*

*As provided by the Douglas County Clerk's Office

**2025 Proposed Budget**

Proposed NEKLS ad valorem tax revenue = $2,418,934  
Required Mill Rate = 1.134  
Reduction in mill levy rate from prior year = 0.004

The goal of K.S.A. 79-2988 is to help taxpayers to better understand their tax bill – truth in taxation. Property owners receive a statement from the County Clerk listing each of the taxing entities that apply to the property. The statement includes proposed figures for the 2025 budget, including: Revenue Neutral Rate; the proposed mill levy rate; whether or not the proposed rate exceeds the RNR, and, if YES, the date, time and location of the RNR hearing.