Historical Tax Law Changes
Rental Occupancy Tax

Laws 1974, Chapter 149 established a 2% Rental Occupancy Tax levied against real property on a long-term lease entered into prior to December 1, 1967. The tax was levied upon the tenant and was collected by the landlord together with the tenant's rental payment. Effectively, this tax was a substitute for the 2% Transaction Privilege Tax on the rental of real property in cases where the landlord could not pass the tax on to tenants in the form of a rent increase. The Rental Occupancy Tax, as originally enacted, is substantially the same as the current law. (Effective From and After December 31, 1974)

Laws 1978, Chapter 211 provided that the lease or rental of property is exempt from the Rental Occupancy Tax when the property is used by the lessee as a principal place of residence. (Effective June 14, 1978)

Laws 1980, Chapter 220 changed the interest rate imposed on <u>deficient</u> tax payments from 6% to 12% per year. (Effective July 31, 1980)

Laws 1981, Chapter 111 increased the interest rate on <u>delinquent</u> tax payments from 6% to 12% per year. (Effective July 25, 1981)

Laws 1983, Chapter 4 changed the interest rate for deficient and delinquent tax payments to equal the rate established by Section 6621 of the Internal Revenue Code, compounded annually. (Effective February 11, 1983)

Laws 1989, Chapter 132 was the Tax Correction Bill. It raised the Rental Occupancy Tax rate from 2% to 3% of the rent. (Effective Retroactive to July 1, 1985)

Laws 1990, 3rd Special Session, Chapter 9 corrected the statutory distribution of the Rental Occupancy Tax by repealing the provisions for the Special Rent Tax Account and designated the tax revenues as 2/3rds to the Distribution Base of the Transaction Privilege Tax and 1/3rd to the state General Fund. This conformed the statutes to the actual practice by the Department of Revenue who treated the omission of Rental Occupancy Tax revenues into the Distribution Base in Laws 1985, Chapter 298 as a legislative anomaly. (Effective September 27, 1990)

Laws 1994, 8th Special Session, Chapter 8 changed the Transaction Privilege and Severance Tax distribution formula for counties. Collections designated as the Distribution Base by the State Treasurer are divided and shared by the state, counties, and incorporated municipalities. Incorporated municipalities will continue to receive 25% in proportion to their population. The state share is reduced from 36.92% to 34.49%. Counties will now receive 40.51% with 38.08% shared among the counties by averaging the following proportions:

(1) The proportion that the population of each county bears to the total state population.
(2) The proportion that the Distribution Base monies collected during the calendar month in each county bear to the total Distribution Base monies collected for the calendar month.

For those counties receiving less under the population formula than under the original property valuation formula, an additional 2.43% will be distributed to counties to hold them harmless from the change in distribution methods. Any amount left after this distribution will be distributed to counties based on the new formula. (Effective From and After June 30, 1994)

Laws 1994, Chapter 314 provided that cities, towns and counties, which submit 1995 population estimates to the Director of the Department of Revenue, the Director of the Department of Transportation and the State Treasurer, may, in lieu of conducting a special census, submit July 1995 population estimates approved by the Director of the Department of Economic Security, Population Statistics Unit. The population estimates are used for the distribution of state shared revenue. The act is repealed on July 1, 2001. (Effective July 17, 1994)

Laws 1994, Chapter 375 provided changes to the Taxpayers' Bill of Rights including provisions on installment payments of tax, abatement of penalties, and reimbursement of fees and other costs. The reimbursement of fees and other costs is effective after December 31, 1994. (Effective July 17, 1994)

Laws 1995, Chapter 182 authorized municipalities with a population less than 50,000 and counties with a population less than 125,000 to submit their July 1995 populations, as approved by the Director of the Department of Economic Security (DES) Population Statistics Unit, for state revenue sharing purposes without having to contract with DES to conduct a sample survey verification. Allowed any city, town or county to submit a request that the 1990 Decennial Census, plus revisions due to annexation certified by the United States Bureau of the Census, continue to be used for the purposes of state revenue sharing, even if a special census has been conducted. (Effective July 13, 1995)