



## Report Highlights

### Reviewing the Reporting Accuracy and Fiscal Effects of Industrial Revenue Bonds (IRBs)

#### Question

1. What is the estimated fiscal impact of IRBs to the state and local governments?
2. What estimates are cities and counties that use IRBs required to report to the Board of Tax Appeals (BOTA) on property tax exemptions and is that data accurate?
3. How many foreign companies have received IRBs?

#### Answer

1. During 2010-2024, local governments issued about \$18.3 billion in IRBs and exempted about \$1.1 billion in related property taxes (IRBXs), most of which likely would've gone to school districts and local governments in the state.
2. Local governments are required to submit a cost-benefit analysis (CBA) that estimates forgone property tax revenue when applying for an IRBX, but those estimates differed substantially from the actual forgone revenue for 23 projects we reviewed.
3. In 2024, we identified 3 foreign businesses that received \$282 million in IRB funds.

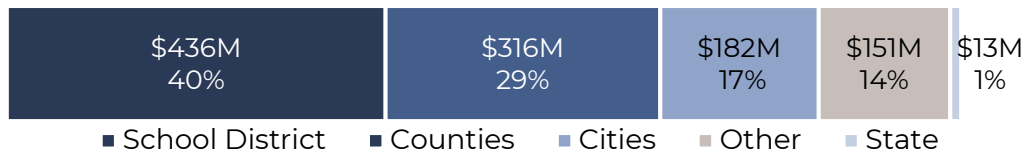
**Recommendations:** We recommended BOTA monitor and establish a deadline for IRBX application submissions, and the Kansas Department of Revenue (KDOR) improve its data quality control process for county property tax data it receives. We also recommended the Legislature consider amending statute to require accuracy standards for CBAs or stop requiring CBAs.

#### Question #1: What is the estimated fiscal impact of IRBs to the state and local governments?

**During 2010-2024, local governments issued about \$18.3 billion in IRBs and exempted about \$1.1 billion in related property taxes, most of which likely would've gone to school districts and local governments in the state.**

- From 2010-2024, local governments issued about 955 IRBs (worth about \$18.3 billion) and BOTA approved about 520 IRBXs (worth about \$1.1 billion in forgone property tax revenue) mostly in the Kansas City and Wichita areas.
- The amount of IRBs and IRBXs increased significantly over that time, especially in recent years.
- The state would have received only \$13 million (1%) of the estimated \$1.1 billion in forgone property tax revenue from IRBX-exempt properties.

Figure 5. The majority of forgone property tax revenue from IRBX properties from 2010-2024 would have gone to local taxing entities like schools, counties, and cities.



Source: LPA review of Kansas Department of Revenue property tax data (audited).

Kansas Legislative Division of Post Audit

## Question #2: What estimates are cities and counties that use IRBs required to report to BOTA on property tax exemptions and is that data accurate?

**Local governments are required to submit a CBA that estimates forgone property tax revenue when applying for an IRBX, but those estimates differed substantially from the actual forgone revenue for 23 projects we reviewed.**

- The estimates of forgone property tax revenue in the 23 CBAs we reviewed were between 94% lower and 6,065% higher than official county appraiser values.
- The CBA estimates differed from county appraiser values for several reasons, including incorrect assumptions, errors, and changes to the terms of the exemption.

## Question #3: How many foreign companies have received IRBs?

**In 2024, we identified 3 foreign businesses that received \$282 million in IRB funds.**

- All 3 businesses are U.S.-organized subsidiaries of foreign businesses. The \$282 million in IRB funds they received is about 9% of the total amount of IRBs issued in 2024.

## Other Findings:

- The Sedgwick County Appraiser's office didn't submit more than 100 IRBX applications to BOTA for approval as required by state law.
- We identified county data that was inconsistent or missing from KDOR's property tax reports.

**Agency Response:** We sent the report to BOTA, KDOR, Lenexa, Olathe, Park City, Shawnee County, Wichita, and the Unified Government of Wyandotte County and Kansas City, Kansas. BOTA and KDOR officials generally agreed with our findings, conclusions, and recommendations. We didn't have recommendations for the local governments; their responses were optional. None of them chose to provide written responses.



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