

February 20, 2023

The Honorable Adam Smith, Chairperson  
House Committee on Taxation  
300 SW 10th Avenue, Room 346-S  
Topeka, Kansas 66612

Dear Representative Smith:

**SUBJECT:** Fiscal Note for HB 2254 by Representative Neelly

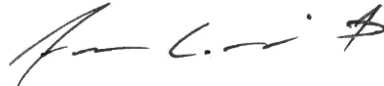
In accordance with KSA 75-3715a, the following fiscal note concerning HB 2254 is respectfully submitted to your committee.

HB 2254 would expand the definition of “land devoted to agricultural use” for property tax classification purposes to include all land and buildings, whether permanent or temporary, that are utilized as part of a registered agritourism activity at a registered agritourism location by a registered agritourism operator. The bill specifies that the selling of any items by a registered agritourism operator would not change the classification of the land as a result of those sales.

The Department of Revenue indicates HB 2254 would change the classification of certain property resulting in a decrease of total appraised and assessed value, as the land would no longer be appraised at market value. For agritourism activities, the Department of Commerce reports 444 properties are registered as an agritourism operation. The Department of Revenue indicates that the majority of land that is devoted to the production of plants, animals, or horticultural products that is incidentally used for agritourism activity is already classified as land devoted to agricultural use for property tax classification purposes, so this reclassification would likely reduce state and local property tax revenues by negligible amounts. The state would receive less property tax revenues to the two state building funds, the Educational Building Fund and the State Institutions Building Fund. The bill would decrease the amount of property tax revenues that school districts would receive through the state’s uniform mill levy. The bill would also decrease revenues to any local government that levies a property tax. However, the Department of Revenue does not have data on the property that would be reclassified under the provisions of HB 2254; therefore, a precise estimate of the amount of decreased property tax revenues and its effect on local and state revenues cannot be estimated. Any fiscal effect associated with HB 2254 is not reflected in *The FY 2024 Governor’s Budget Report*.

The League of Kansas Municipalities and Kansas Association of Counties indicate that the bill would have the potential provide a net decrease to local property tax collections that are used in part to finance local governments.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt  
Director of the Budget

cc: Lynn Robinson, Department of Revenue  
Craig Neuenswander, Department of Education  
Jody Allen, Board of Tax Appeals  
Jay Hall, Kansas Association of Counties  
Wendi Stark, League of Kansas Municipalities