

March 11, 2019

The Honorable Steven Johnson, Chairperson  
House Committee on Taxation  
Statehouse, Room 185-N  
Topeka, Kansas 66612

Dear Representative Johnson:

**SUBJECT:** Fiscal Note for HB 2340 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2340 is respectfully submitted to your committee.

HB 2340 would prohibit county treasurers from distributing the portion of property taxes that are in dispute for certain residential and commercial property when the taxes are paid under protest until the appeal process is final. The bill would apply to residential property with amount of property tax exceeding the previous year's amount by \$500 and to commercial property with amount of property tax exceeding the previous year's amount by \$1,000.

Enactment of HB 2340 has the potential to delay the distribution of property taxes collected from certain properties. The Department of Revenue does not have data on property tax collections that exceed the \$500 threshold for residential property or exceed the \$1,000 threshold for commercial property to make an estimate of the amount of delayed property taxes that could occur as a result of this bill. The state funds directly affected by this bill are the two building funds, the Educational Building Fund (EBF) and the State Institutions Building Fund (SIBF). The bill has the potential to delay revenues to both the EBF and SIBF. The bill would also delay the amount of property tax revenues that school districts would receive through the state's uniform mill levy. The bill also has the potential to delay revenues to any local government that levies a property tax. The Department of Revenue does not expect the number of property tax appeals to change as a result from the enactment of this bill.

The Board of Tax Appeals indicates the bill would have no fiscal effect on its operations. The League of Kansas Municipalities and the Kansas Association of Counties indicate that local governments could potentially experience cashflow problems due to the hold placed on protested taxes until the appeal process is final. The hold placed on protested taxes also has the potential to

affect the budgeting process of local governments. Conversely, local governments would not be required to pay back the county the disputed tax money if the Board of Tax Appeals rules in favor of the taxpayer because that money would be held by the county under the provisions of the bill. Any fiscal effect associated with HB 2340 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink that reads "L. L. Campbell". The signature is written in a cursive style with a large, sweeping initial "L".

Larry L. Campbell  
Director of the Budget

cc: Lynn Robinson, Department of Revenue  
Dale Dennis, Education  
Jay Hall, Association of Counties  
Jody Allen, Tax Appeals  
Chardae Caine, League of Municipalities