

February 22, 2021

The Honorable Adam Smith, Chairperson
House Committee on Taxation
Statehouse, Room 185A-N
Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2313 by House Committee on Veterans and Military

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2313 is respectfully submitted to your committee.

Under current law, full-time members of the United States military that are stationed in Kansas and are full-time active guard and reservist members of the Kansas Army, Air National Guard, or the Kansas unit of the reserve forces of the United States military receive a property tax exemption for up to two motor vehicles. HB 2313 would extend the vehicle property tax exemption to allow all current members in good standing from the Kansas Army, the Air National Guard, and a unit of the reserve forces of the United States military to receive the property tax exemption for up to two motor vehicles beginning in tax year 2022.

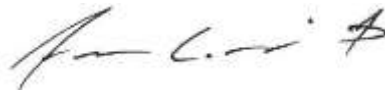
Passage of HB 2313 would decrease property tax revenues by adding a new property tax exemption. The state funds directly affected by this bill are the two building funds, the Educational Building Fund (EBF) and the State Institutions Building Fund (SIBF). The Department of Revenue estimates this bill would decrease revenues to these two funds by \$27,288 in FY 2022, with \$18,192 from the EBF and \$9,096 from the SIBF. The bill would also decrease revenues to any local government that levies a property tax; however, the specific estimate of lower local property tax revenues was not calculated by the Department of Revenue.

The Department of Revenue indicates that data from the Kansas Army National Guard indicate that an additional 5,685 taxpayers or up to 11,370 vehicles could now be eligible for this motor vehicle property tax exemption under the provisions of the bill. The Department indicates that the average property taxes paid per motor vehicle was \$189.35 in 2019. Of that amount, \$2.40 went to the two state building funds (1.5 mills). Assuming each of the 5,685 members newly eligible for the exemption registered two vehicles at the average rate, that would reduce state

revenues by \$27,288. According to the Department, updating forms and instructions would cost \$720 from the State General Fund in FY 2022.

The Kansas Association of Counties and the League of Kansas Municipalities indicate that the bill would provide a net reduction to local property tax collections that are used in part to finance local governments. Any fiscal effect associated with HB 2313 is not reflected in *The FY 2022 Governor's Budget Report*.

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
Michael Neth, Office of the Adjutant General
Wendi Stark, League of Municipalities
Jay Hall, Association of Counties