

February 24, 2021

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 115 by Senator Holland

In accordance with KSA 75-3715a, the following fiscal note concerning SB 115 is respectfully submitted to your committee.

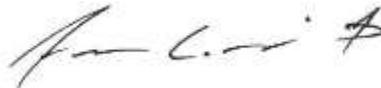
SB 115 would allow commercial property owners negatively affected by temporary restrictions on use to apply to the county commission for an abatement or credit of property taxes that are levied against the commercial property. The bill defines “negatively affected by temporary restrictions on use” to be the actual and regular use of the commercial property that was substantially limited or restricted by temporary restrictions imposed by the state or federal government or local governing bodies during a state of disaster emergency declared by the Governor. The county commission has the option of approving the abatement, allowing a credit that could be spread out over the next three years, or not approving the applications because of budget constraints. The abatement would be available beginning retroactively to tax year 2020.

The Department of Revenue estimates that SB 115 would decrease property tax revenues by allowing a county commission to grant a property tax abatement or credit for certain commercial property. The Department of Revenue does not have data on the assessed valuation of the specific property that would receive this abatement or how often a county commission would provide this abatement to make a precise estimate of the amount of reduced property tax revenue. The bill would reduce the amount of property tax revenues that would be collected for the two building funds, the Educational Building Fund and the State Institutions Building Fund. Less property tax revenue would also have an effect on state expenditures for aid to school districts. To the extent that less property tax revenue would be available from the state’s uniform mill levy to fund expenditures for school districts, the state would be required to provide more state aid from the State General Fund through the school finance formula. Local governments that levy a

property tax would also receive less revenues; however, the amount of reduced property tax revenues cannot be estimated.

The bill would have no fiscal effect on the operations of the Department of Revenue or the Board of Tax Appeals. The League of Kansas Municipalities and the Kansas Association of Counties indicate that the bill has the potential to significantly reduce the amount of local property tax revenues that are used in part to finance local governments. However, they do not have a basis on which to estimate the amount of property taxes that would be abated to make a precise estimate of the fiscal effect on local governments. Any fiscal effect associated with SB 115 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
Craig Neuenswander, Education
Wendi Stark, League of Municipalities
Jay Hall, Association of Counties
Jody Allen, Tax Appeals