

February 27, 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 2307 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2307 is respectfully submitted to your committee.

HB 2307 would provide a property tax exemption on all real property actually and regularly used by a nonprofit organization for a Kansas war memorial that preserves the memory of heroic acts and sacrifices of those Kansas veterans who fought, died, or are missing in action in any conflict involving the loss of United States service members. The bill would also provide a sales tax exemption on all tangible personal property purchased by the nonprofit organization for the establishment and maintenance of Kansas war memorials. The bill would be effective July 1, 2023.

Passage of HB 2307 would decrease property tax revenues beginning in FY 2024 by creating a new property tax exemption. 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 also decrease the amount of property tax revenues that school districts would receive through the state's uniform mill levy. 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. 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 receive a property tax exemption under the provisions of the bill; therefore, a precise estimate of the reduction in property tax revenues and its effect on local and state revenues cannot be estimated. The Department of Commerce reports that the *travelks.com* website and the *Kansas Guidebook 2 For Explorers* published by the Kansas Sampler Foundation feature over 100 war memorials and

monuments, memorial buildings, and memorial parks across the state. It is unknown how many of these are used or maintained by nonprofit organizations.

The Department of Revenue estimates that the bill would decrease state and local sales tax revenues by unknown amounts beginning in FY 2024. The state funds directly affected by this bill are the State General Fund and the State Highway Fund. However, the Department does not have sufficient information on how many nonprofit organizations would qualify for this new sales tax exemption to make a precise estimate of the amount of reduced state and local sales tax revenues under this provision of the bill. According to the Department of Revenue, reissuing sales tax publications and issuing tax entity exemption certificates would cost \$1,200 from the State General Fund in FY 2024.

The Kansas Department of Transportation (KDOT) indicates that the bill would have an unknown fiscal effect as noted above. KDOT indicates that when the state receives lower State Highway Fund dollars it may be required to make corresponding reductions to planned expenditures for projects funded under the comprehensive transportation plan. Any fiscal effect associated with HB 2307 is not reflected in *The FY 2024 Governor's Budget Report*.

The League of Kansas Municipalities indicates that the bill would provide a net reduction to local sales tax and 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
Brendan Yorkey, Department of Transportation
Jay Hall, Kansas Association of Counties
Wendi Stark, League of Kansas Municipalities