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Adam C. Proffitt, Director

Laura Kelly, Governor

February 5, 2024

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
300 SW 10th Avenue, Room 548-S
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 327 by Senator Holland

In accordance with KSA 75-3715a, the following fiscal note concerning SB 327 is respectfully submitted to your committee.

SB 327 would exclude Social Security payments from the definition of household income used to determine eligibility of certain seniors and disabled veterans for the Senior or Disabled Veteran Property Tax Relief Program which would be renamed as the Golden Years Homestead Property Tax Freeze Program. The bill would increase the maximum appraised value of an eligible claimant's home in the base year from $350,000 to $595,000 and provide for future increases to this amount based upon the ten-year average percentage change in statewide residential valuations of existing residential real estate. These changes would become effective retroactive to begin in tax year 2022. The deadline to file claims for tax year 2022 and 2023 would be extended to April 15, 2025.

Estimated State Fiscal Effect			
	FY 2024	FY 2025	FY 2026
Expenditures			
State General Fund	--	$136,133	$63,238
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Expenditures	--	$136,133	$63,238
Revenues			
State General Fund	--	($26,010,000)	($17,910,000)
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Revenues	--	($26,010,000)	($17,910,000)
FTE Positions	--	1.00	1.00

The Department of Revenue estimates that SB 327 would decrease State General Fund revenues by $26,010,000 in FY 2025, by $17,910,000 in FY 2026, and by $22,890,000 in FY 2027.

To formulate these estimates, the Department reviewed valuation data from its Division of Property Valuation and the U.S. Census Bureau. The Department assumes that the median value of housing units owned by individuals that are 65 years old or older is $150,653, the estimated median value of property tax in the base year is $2,371, and property taxes will increase by 4.0 percent each year. The Department estimates that removing the 50.0 percent of Social Security benefits originally included in the definition of household income for the new Homestead Property Tax Refund Program for seniors and disabled veterans and the higher maximum appraised value of an eligible claimant's home in the base year would increase the estimated number of eligible households by 30,742.

The Department of Revenue indicates that it would require a total $136,133 from the State General Fund in FY 2025 to implement the bill and to modify the automated tax system. The bill would require the Department to hire 1.00 new FTE position to answer questions from taxpayers. The Department estimates that ongoing expenses for salaries and wages for the 1.00 FTE position and overhead expenses would total $63,238 from the State General Fund in FY 2026. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department's current budget may be required. Any fiscal effect associated with SB 327 is not reflected in *The FY 2025 Governor's Budget Report*.

Sincerely,

Adam C. Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue