

February 13, 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 468 by Senate Committee on Assessment and Taxation

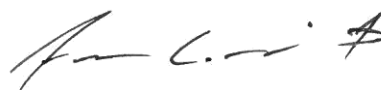
In accordance with KSA 75-3715a, the following fiscal note concerning SB 468 is respectfully submitted to your committee.

SB 468 would prohibit cities and counties that grant economic development property tax exemptions, industrial revenue bond property tax exemptions, or use any tax increment financing from exceeding the revenue neutral rate beginning in tax year 2026.

The Department of Revenue estimates that SB 468 would have no fiscal effect on state property tax collections. The Department indicates the bill would have no fiscal effect on its operations.

The League of Kansas Municipalities and Kansas Association of Counties indicate local governments use Tax Increment Finance Districts (TIFs) or Industrial Revenue Bonds (IRBs) under very specific circumstances with property that does not generate a significant amount of revenue to encourage economic growth and to create jobs. TIFs and IRBs provide initial tax breaks to business and industry that create jobs and once the property tax exemption expires the tax base would expand and would spread out the tax burden. Prohibiting local governments from exceeding the revenue neutral rate for providing incentives to business and industry has the potential to either eliminate economic development projects using these incentives in a tax year that a local government plans to exceed the revenue neutral rate or eliminate the ability of the local government to fully fund critical services. However, the actual fiscal effect on local governments is unknown.

Sincerely,



Adam C. Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Jay Hall, Kansas Association of Counties
Wendi Stark, League of Kansas Municipalities