

February 15, 2013

The Honorable Richard Carlson, Chairperson
House Committee on Taxation
Statehouse, Room 285-N
Topeka, Kansas 66612

Dear Representative Carlson:

SUBJECT: Fiscal Note for HB 2245 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2245 is respectfully submitted to your committee.

HB 2245 would allow a county commission to provide a one-year property tax exemption for severed mineral interests. The bill requires the county commission to weigh the costs and benefits of the exemption, including its effect on state and local revenues. The county commission would be required to conduct a public hearing to grant the exemption and to provide a notice of the public hearing in the official city or county newspaper. The bill also includes notification requirements for cities and school districts that would potentially be affected by the property tax exemption.

The Department of Revenue indicates passage of HB 2245 would decrease property tax revenues by allowing a county commission to grant property tax exemptions for severed mineral interests. The Department of Revenue estimates that the total statewide assessed valuation for severed mineral interests is approximately \$10.0 million for tax year 2012. However, the Department does not have data on the assessed valuation of that specific property that would receive this exemption 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 school districts would receive less property tax revenue through the state's uniform mill levy, the state would provide more state aid through the school finance formula. Local governments that levy a property tax would also receive less revenues; however, the

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amount of change cannot be estimated. Any fiscal effect associated with HB 2245 is not reflected in *The FY 2014 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Steve Neske, Revenue
Melissa Wangemann, Kansas Association of Counties
Jody Allen, Tax Appeals