

January 28, 2014

The Honorable Richard Carlson, Chairperson
House Committee on Taxation
Statehouse, Room 185-N
Topeka, Kansas 66612

Dear Representative Carlson:

SUBJECT: Fiscal Note for HB 2456 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2456 is respectfully submitted to your committee.

HB 2456 would define all commercial and industrial machinery used directly in the manufacture of cement, lime, or similar products as commercial and industrial machinery and equipment for property tax purposes. The bill would allow the specific equipment detailed in the bill to qualify for the commercial and industrial machinery and equipment property tax exemption. The bill would be retroactive to tax year 2013.

Estimated State Fiscal Effect				
	FY 2014 SGF	FY 2014 All Funds	FY 2015 SGF	FY 2015 All Funds
Revenue	--	--	--	(\$119,200)
Expenditure	--	--	\$1,590,000	\$1,590,000
FTE Pos.	--	--	--	--

Passage of HB 2456 would decrease property tax revenues by allowing certain property that is currently classified as real property to be exempt from property taxes under the commercial and industrial machinery and equipment exemption. The Department of Revenue indicates the bill has the potential to reduce the assessed valuation for certain property used to manufacture cement, lime, or other similar products. Because the bill is retroactive to tax year 2013, the fiscal effect of the bill for FY 2015 would include both refunds for tax year 2013 and reduced tax liability for tax year 2014. The state funds directly affected by this bill are the two building funds, the Educational Building Fund (EBF) and the State Institutions Building Fund (SIBF). The Department of Revenue estimates this bill would decrease revenues to these two

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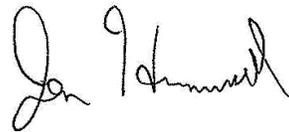
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funds by \$119,200 in FY 2015, with \$79,467 from the EBF and \$39,733 from the SIBF. The building funds would be reduced by \$59,600 in FY 2016, with \$39,733 from the EBF and \$19,867 from the SIBF.

The bill would also have an effect on state expenditures for aid to school districts. To the extent that school districts receive less property tax revenue through the state's uniform mill levy, the state customarily provides additional state aid through the school finance formula. The Department of Revenue estimates the increased state expenditures for aid to schools to be \$1,590,000 in FY 2015 and \$795,000 in FY 2016. The bill would also decrease revenues to any local government that levies a property tax. To develop these estimates, the Department surveyed county appraisers in counties expected to be affected by this bill. Any fiscal effect associated with HB 2456 is not reflected in *The FY 2015 Governor's Budget Report*.

The Kansas Association of Counties and the League of Kansas Municipalities indicate that the bill would reduce local property tax collections. However, the Kansas Association of Counties and the League of Kansas Municipalities do not have complete assessment data on this type of property to make a precise estimate of the fiscal effect on local governments.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Hummell". The signature is fluid and cursive, with the first name "Jon" being more prominent than the last name "Hummell".

Jon Hummell,
Interim Director of the Budget

cc: Melissa Wangemann, Association of Counties
Larry Baer, League of Municipalities
Steve Neske, Department of Revenue