

March 12, 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 2574 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2574 is respectfully submitted to your committee.

HB 2574 would require property that has been constructed or purchased from the proceeds of any revenue bonds and which receives a property tax exemption, to retain the same classification of property that was approved by the Court of Tax Appeals at the time the exemption was originally granted. The bill would apply to property that returns to the county property tax rolls beginning in tax year 2011. The county appraiser or the taxpayer would be allowed to obtain a change in classification from the Court of Tax Appeals if there has been a material physical change to the property, a material change in the use of the property, or a substantial change in directly applicable law. The party seeking the change in classification would bear the burden of proof. The bill would take effect upon its publication in the *Kansas Register*.

The Department of Revenue indicates HB 2574 would have a negligible fiscal effect on property tax revenues across the state. The Court of Tax Appeals indicates the bill has the potential to increase the number of filings with the Court. However, only a few additional filings are estimated to occur as a result of this bill and the costs associated with the additional filings would be negligible and could be absorbed within existing resources and staff levels. Any fiscal effect associated with HB 2574 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 has the potential to reduce local property tax collections by delaying any changes to the classification of property that has substantially changed since the original property tax exemption was granted with Industrial Revenue Bonds (IRBs). Property tax exemptions granted with IRBs typically lasts for ten years and some property could potentially change from personal property to real property over that time frame. The property would not be allowed to be

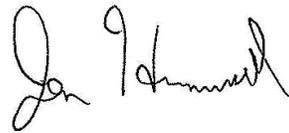
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reclassified without a hearing and approval from the Court of Tax Appeals, which could delay the property from being classified correctly. However, the Kansas Association of Counties and the League of Kansas Municipalities do not have complete assessment data on the amount of property that could be affected by this bill 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: Jody Allen, COTA  
Steve Neske, Revenue  
Melissa Wangemann, KAC  
Larry Baer, LKM  
Dale Dennis, Education