

March 8, 2013

The Honorable Les Donovan, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Donovan:

SUBJECT: Fiscal Note for SB 222 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 222 is respectfully submitted to your committee.

Under current law, when a taxpayer receives a refund of taxes paid under protest or from a decision of the Court of Tax Appeals on a single piece of property with a value greater than 5.0 percent of the total county assessed valuation, the county treasurer is allowed to request a loan from the Pooled Money Investment Board (PMIB) to make the refund. SB 222 would allow the county treasurer or the governing body of any taxing subdivision within the county to request a PMIB loan to make this refund.

The PMIB indicates that SB 222 would allow other local governments, in addition to counties, to be eligible for a PMIB loan to make a refund of property taxes for certain property. The PMIB indicates that it does not have information on the number of current valuation appeals for property that has a valuation of greater than 5.0 percent of the total county assessed valuation to make a precise estimate of the number of local governments that could request a loan under this program. However, it is estimated that only a few counties could potentially reach the 5.0 percent valuation threshold in any given year, which would limit the number of local governments within those counties that would be eligible for this program.

If a local government receives a loan under this program, then they would be charged an interest rate based on the average daily balance rate of the Pooled Money Investment Portfolio at the time the loan is made and would be required to repay the loan within four years. The PMIB indicates that historically low interest rates and the state's current cashflow needs have kept the yield extremely low on the Pooled Money Investment Portfolio. Interest rates are expected to increase in the next few years, as economic conditions continue to improve. As additional state funds are provided to local governments for low interest rate loans, the ability of the PMIB to maximize overall investment income for the State General Fund would decrease.

The Honorable Les Donovan, Chairperson

March 8, 2013

Page 2—SB 222

The League of Kansas Municipalities indicates the bill would allow local governments that qualify for this program to spread out the costs of making a large property tax refund over a four-year period. The program would provide local governments with more stability and has the potential to minimize immediate expenditure reductions or mill levy increases to make certain property tax refund payments.

The Court of Tax Appeals and the Department of Revenue both indicate the bill would have no fiscal effect on their operations. Any fiscal effect associated with SB 222 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: Scott Miller, PMIB
Melissa Wangemann, KAC
Larry Baer, LKM
Steve Neske, Revenue