

February 18, 2021

The Honorable Adam Smith, Chairperson
House Committee on Taxation
Statehouse, Room 185A-N
Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2272 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2272 is respectfully submitted to your committee.

HB 2272 would prohibit county treasurers from distributing the portion of property taxes that are in dispute for certain residential and commercial property when the taxes are paid under protest until the appeal process is final beginning on July 1, 2021. The bill would apply to residential property with amount of property tax exceeding the previous year's amount by \$500, commercial property with amount of property tax exceeding the previous year's amount by \$5,000, or if the protest includes property that is in the proper classification of commercial and industrial machinery and equipment. The bill would not apply to newly constructed structures unless the appraisal exceeds the building permit calculated costs by 115.0 percent.

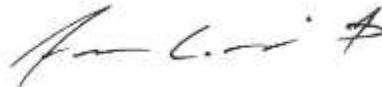
County appraisers would be required to send county clerks a certified list of all real properties whose owners are protesting valuation or assessment of property taxes that have not been resolved prior to June 1 of each year, as well as a second list of all real properties with appraised valuation of more than \$40,000 whose owners are seeking an exemption from property taxes. County clerks would be required to provide the lists to all potentially affected taxing units prior to June 15, along with the assessed valuation of each parcel. County treasurers prior to January 10 of each year would be required to provide each taxing unit the certified list of each real property that have tax dollars held in escrow.

Enactment of HB 2272 has the potential to delay the distribution of property taxes collected from certain properties. The Department of Revenue does not have data on property tax collections that exceed the \$500 threshold for residential property, exceed the \$5,000 threshold for commercial property, or includes property that is in the proper classification of commercial and industrial

machinery and equipment to make an estimate of the amount of delayed property taxes that could occur as a result of this bill. 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 bill has the potential to delay revenues to both the EBF and SIBF. The bill would also delay the amount of property tax revenues that school districts would receive through the state's uniform mill levy. The bill also has the potential to delay revenues to any local government that levies a property tax. The Department of Revenue does not expect the number of property tax appeals to change as a result from the enactment of this bill.

The Board of Tax Appeals indicates the bill would have no fiscal effect on its operations. The League of Kansas Municipalities and the Kansas Association of Counties indicate that local governments could potentially experience cashflow problems due to the hold placed on protested taxes until the appeal process is final. The hold placed on protested taxes also has the potential to affect the budgeting process of local governments. Conversely, local governments would not be required to pay back the county the disputed tax money if the Board of Tax Appeals rules in favor of the taxpayer because that money would be held by the county under the provisions of the bill. Counties would be required to produce certified lists of property that have property taxes held in escrow. However, the costs to produce these lists would be negligible and could be absorbed within county budgets. Any fiscal effect associated with HB 2272 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Jody Allen, Tax Appeals
Wendi Stark, League of Municipalities
Jay Hall, Association of Counties
Craig Neuenswander, Education