

February 3, 2022

The Honorable Adam Smith, Chairperson
House Committee on Taxation
Statehouse, Room 346-S
Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2493 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2493 is respectfully submitted to your committee.

For classification of real property for property tax purposes, HB 2493 would require that land devoted to agricultural use be at least two acres in size unless the parcel is contiguous with a larger parcel devoted to agricultural use. The bill would also include clarifying language that real property that is used or intended to be used for residential purposes is for occupation by humans.

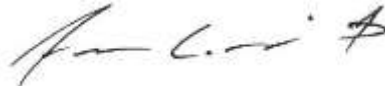
The Department of Revenue is unable provide a reliable estimate of the fiscal effect for HB 2493 due to unknown and unique changes in appraised valuation for each parcel. The Department of Revenue's Property Valuation Division (PVD) indicates there are 24,365 parcels of land with less than two acres in Kansas that are classified as land devoted to agricultural use. Parcels under two acres in size currently classified as land devoted to agricultural use are appraised based on a "use value" and assessed at 30.0 percent of appraised value. PVD indicates that parcels removed from the land devoted to agricultural use class would most likely be reclassified as either as a vacant lot, appraised at market value and assessed at 12.0 percent of market value, or other, appraised at market value and assessed at 30.0 percent of market value. The market value is based on the highest and best use of each parcel and could be agricultural land, commercial, or residential. It is unknown to PVD what is the highest and best use of the parcels from reclassifying the parcel or the market value for each parcel. However, market value estimates are consistently higher than appraised values based on the use value calculation, which would likely increase property tax valuations.

The bill would have the potential to increase property tax revenues by changing the classification of certain property. The state would receive additional property tax revenues to the

two state building funds, the Educational Building Fund and the State Institutions Building Fund. The bill would increase the amount of property tax revenues that school districts would receive through the state's uniform mill levy. The bill would also increase revenues to any local government that levies a property tax. However, the Department of Revenue does not have data on the property that would now be assessed property taxes under the provisions of HB 2493; therefore, a precise estimate of the amount of increased property tax revenues and its effect on local and state revenues cannot be estimated. The Department indicates that the bill would have no fiscal effect on its operations.

The League of Kansas Municipalities and Kansas Association of Counties indicate that the bill would have the potential provide a net increase to local property tax collections that are used in part to finance local governments. Any fiscal effect associated with HB 2493 is not reflected in *The FY 2023 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
Craig Neuenswander, Education
Wendi Stark, League of Municipalities
Jay Hall, Association of Counties