

January 19, 2021

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

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 23 by Senate Committee on Assessment and Taxation

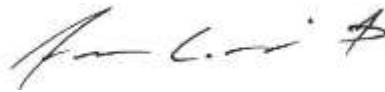
In accordance with KSA 75-3715a, the following fiscal note concerning SB 23 is respectfully submitted to your committee.

SB 23 would allow a property owner to apply to the county commission for an abatement or credit of property taxes that are levied against a building or improvement that is destroyed or substantially destroyed by earthquake, flood, tornado, fire, or storm. The abatement would be available for up to three years beginning retroactively to tax year 2016 through tax year 2019. The bill would take effect upon its publication in the *Kansas Register*.

The Department of Revenue estimates that SB 23 would decrease property tax revenues by allowing a county commission to grant a property tax abatement or credit for certain property that is destroyed or substantially damaged. The Department of Revenue does not have data on the assessed valuation of the specific property that would receive this abatement or how often a county commission would provide this abatement to make a precise estimate of the amount of reduced property tax revenue. The bill would reduce the amount of property tax revenues that would be collected for the two building funds, the Educational Building Fund and the State Institutions Building Fund. Less property tax revenue would also have an effect on state expenditures for aid to school districts. To the extent that less property tax revenue would be available from the state's uniform mill levy to fund expenditures for school districts, the state would be required to provide more state aid from the State General Fund through the school finance formula. Local governments that levy a property tax would also receive less revenues; however, the amount of reduced property tax revenues cannot be estimated.

The bill would have no fiscal effect on the operations of the Department of Revenue or the Board of Tax Appeals. The League of Kansas Municipalities and the Kansas Association of Counties indicate that the bill has the potential to significantly reduce the amount of local property tax revenues in communities that are affected by a natural disaster. However, they do not have a basis on which to estimate the amount of property taxes that would be abated to make a precise estimate of the fiscal effect on local governments. Any fiscal effect associated with SB 23 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: Jody Allen, Tax Appeals
Lynn Robinson, Department of Revenue
Wendi Stark, League of Municipalities
Jay Hall, Association of Counties
Craig Neuenswander, Education