

January 31, 2014

The Honorable Richard Carlson, Chairperson
House Committee on Taxation
Statehouse, Room 185-N
Topeka, Kansas 66612

Dear Representative Carlson:

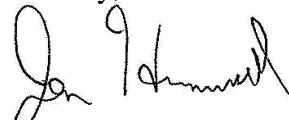
SUBJECT: Fiscal Note for HB 2498 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2498 is respectfully submitted to your committee.

HB 2498 would clarify the property tax exemption that exists in current law for non-profit community service organizations that provide humanitarian services. The bill would prohibit not-for-profit corporations from receiving this property tax exemption if the corporation receives more than 40.0 percent of its revenues from the sale of memberships or program services that would be subject to state or local sales tax if those memberships or program services were sold by a corporation that is subject to property taxes under the laws of the State of Kansas.

Passage of HB 2498 would increase property tax revenues by limiting the ability of certain not-for-profit corporations from continuing to receive a current property tax exemption. If property tax revenue increases as a result of the bill, then revenue to any local government that levies a property tax would increase and revenue would also increase to the two state building funds, the Educational Building Fund and the State Institutions Building Fund. The bill would also have an effect on state expenditures for aid to school districts. To the extent that school districts receive additional property tax revenue through the state's uniform mill levy, the state provides less state aid through the school finance formula. However, a precise estimate of the amount of increased property tax revenue and the effect on local and state revenues cannot be estimated because the Department of Revenue does not have data on the type and amount of property that would no longer qualify for a property tax exemption under the provisions of this bill. Any fiscal effect associated with HB 2498 is not reflected in *The FY 2015 Governor's Budget Report*.

Sincerely,



Jon Hummell,
Interim Director of the Budget

cc: Dale Dennis, Education
Steve Neske, Department of Revenue
Melissa Wangemann, Association of Counties
Larry Baer, League of Municipalities