

February 11, 2015

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

Dear Representative Kleebl:

SUBJECT: Fiscal Note for HB 2168 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2168 is respectfully submitted to your committee.

HB 2168 would clarify the definition of bed and breakfast for property tax purposes to include any property that uses a total of five or fewer bedrooms for overnight guests who stay for not more than 28 consecutive days. The bill would remove the requirement that the bed and breakfast also be a residence and would allow the whole property to be used as a bed and breakfast.

Passage of HB 2168 has the potential to decrease property tax revenues by lowering the property tax assessment rate on certain bed and breakfast properties. Any local government that levies a tax on this type of property would receive less revenue and would also reduce revenues to the Educational Building Fund and the State Institutions Building Fund. The bill would also reduce the amount of property tax revenue that school districts would receive through the state's uniform mill levy. However, the Department of Revenue does not have data on the valuation of bed and breakfast properties that would move from the commercial property assessment rate of 25.0 percent to the residential property assessment rate of 11.5 percent under the provisions of HB 2168; therefore, a precise estimate of the amount of decreased property tax revenue and its effect on local and state revenues cannot be estimated. Any fiscal effect associated with HB 2168 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: Jack Smith, Department of Revenue
Melissa Wangemann, Association of Counties