

January 27, 2020

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 279 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 279 is respectfully submitted to your committee.

Under current law, community service organizations that provide humanitarian services that are owned and operated by a not-for-profit corporation receive a property tax exemption. SB 279 would allow all not-for-profit organizations to receive this property tax exemption instead of only qualifying not-for-profit corporations. The property tax exemption for qualifying not-for-profit organizations would begin retroactive to tax year 2019 and would also be available in each future tax year.

The Department of Revenue indicates passage of SB 279 has the potential to decrease property tax revenues by a negligible amount. The Department does not know how many not-for-profit organizations that provide humanitarian services that are not currently not-for-profit corporations to make a precise estimate of the amount of property tax revenue that would be reduced as a result of this bill. 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. Reduced 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 Kansas Association of Counties and the League of Kansas Municipalities indicate that the bill has the potential to reduce the amount of local property tax revenues. However, they indicate that most not-for-profit organizations that provide humanitarian services are captured under the language in the current property tax exemption. Any fiscal effect associated with SB 279 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. L. Campbell". The signature is fluid and cursive, with a large initial "L" and "C".

Larry L. Campbell
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Trey Cocking, League of Municipalities
Jay Hall, Association of Counties
Dale Dennis, Education
Jody Allen, Tax Appeals