

February 3, 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 295 by Senator Tyson, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning SB 295 is respectfully submitted to your committee.

SB 295 would prevent the county appraiser from increasing the valuation of property solely as a result of normal repair, replacement, or maintenance of existing structures, equipment, and improvements on the property. The bill indicates that normal repair, replacement, or maintenance does not include new construction.

The Department of Revenue indicates passage of SB 295 has the potential to decrease property tax revenues by a negligible amount. The Department does not have data on the amount of property that have increased in valuation as a result of normal repair, replacement, or maintenance 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 that are used in part to finance local governments. The Association and the League

indicate that extended neglect, especially from absentee owners, has the potential to reduce property valuations in the long term and could also lead to increased taxes on property owners that maintain their property and do not defer maintenance. Once the normal maintenance is performed, then the property valuation would not be able to be increased to reflect the actual market value of the property under the provisions of the bill. However, they do not have data on which to estimate the amount of property taxes that would be reduced to make a precise estimate of the fiscal effect on local governments. Any fiscal effect associated with SB 295 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,

A handwritten signature in cursive script that reads "L. L. Campbell". The signature is written in black ink and is positioned above the printed name and title.

Larry L. Campbell
Director of the Budget

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