

March 13, 2023

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
300 SW 10th Avenue, Room 548-S
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 274 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 274 is respectfully submitted to your committee.

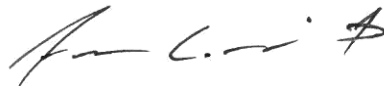
SB 274 would require the county appraiser use the cost approach for property tax appraisals of special purpose property, but the appraiser could also use one or more other methods to value the property. For property tax purposes, the fair market value of special purpose property would be determined based solely on the value of the land and real property improvements and would exclude the value of the business operating on the property. If the appraiser determines that the fair market value of a special purpose property exceeds the replacement cost less depreciation of the real property improvements and the value of the land, the appraiser would be required to explain in writing, upon the request of the taxpayer, how the appraiser determined the fair market value based solely on the value of the land and real property improvements and excluding the value of the business operating on the property. The bill defines “special purpose property” as property designed for a unique use and layout and that is not readily converted to another use. Special purpose property includes, but is not limited to, bowling alleys, car washes, hotels and motels, self-service storage facilities, automobile dealerships, nursing homes, assisted living facilities, grain handling and storage facilities, and commercial feed yards. Special purpose property would not include public utility property.

The Department of Revenue estimates that SB 274 would have no fiscal effect on state and local property revenue, as this change would not prevent a county appraiser from arriving at an estimate of fair market value for special use property. The Kansas Association of Counties indicates the cost approach would be most suitable for appraisal of special purpose properties, because of the distinctive nature of the properties and the lack of adequate sales and income data.

This approach has the potential provide stability to counties property tax revenue from special purpose properties.

The League of Kansas Municipalities indicates the bill has the potential to reduce local property tax revenues that are used in part to finance local governments. The League indicates the bill would allow the cost approach to be used to determine fair market value for other types of special purpose property, not just the items specifically listed in the bill. However, the League does not have a basis on which to estimate the amount of lower possible property tax valuations to make a precise estimate of the fiscal effect on local governments.

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: Lynn Robinson, Department of Revenue
Craig Neuenswander, Department of Education
Wendi Stark, League of Kansas Municipalities
Jay Hall, Kansas Association of Counties