

March 1, 2013

The Honorable Richard Carlson, Chairperson
House Committee on Taxation
Statehouse, Room 285-N
Topeka, Kansas 66612

Dear Representative Carlson:

SUBJECT: Fiscal Note for HB 2119 by House Committee on Veterans, Military and Homeland Security

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2119 is respectfully submitted to your committee.

HB 2119 would provide a property tax exemption for motor vehicles owned by full-time members of the United States military or active guard and reservist members of the Kansas Army or Air National Guard. The bill would allow up to two vehicles to be exempted from property taxation beginning in tax year 2014.

Passage of HB 2119 would decrease property tax revenues by providing a new property tax exemption for motor vehicles owned by members of the United States military or Kansas Army or Air National Guard. The Department of Revenue does not have data on the number of motor vehicles that would receive this property tax exemption to make a precise estimate of the amount of the reduction to property tax revenues. 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. The bill would also decrease revenues to any local government that levies a property tax. The bill would not have a fiscal effect on state expenditures for aid to school districts because motor vehicles are already exempt from the state's uniform mill levy for education.

The Department of Revenue indicates that the administrative costs associated with implementing HB 2119 would be negligible and could be absorbed within existing resources. Any fiscal effect associated with HB 2119 is not reflected in *The FY 2014 Governor's Budget Report*.

The League of Kansas Municipalities and the Kansas Association of Counties indicate that the bill has the potential to reduce the amount of local property tax revenues. However, they do not have a basis on which to estimate the amount of property taxes that would be reduced to

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make a precise estimate of the fiscal effect on local governments. If lower property tax revenues are generated as a result of HB 2119 then local governments would be required to offset this reduction by either increasing the local mill levy or by decreasing expenditures.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Steve Neske, Revenue
Ben Cleeves, KDOT
Cheri Froetschner, Adjutant General's Office
Melissa Wangemann, KAC
Larry Baer, LKM