

March 18, 2013

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

Dear Representative Carlson:

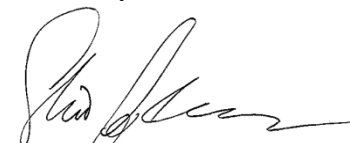
SUBJECT: Fiscal Note for HB 2385 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2385 is respectfully submitted to your committee.

HB 2385 would clarify the definition of bed and breakfast for property tax purposes to include any structure 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 2385 has the potential to decrease property tax revenues by lowering the property tax assessment rate on certain bed and breakfast property. Any local government that levies a property tax would receive less revenue and revenue would also decrease to the two state building funds, the Educational Building Fund and the State Institutions Building Fund. The bill would also have an effect on state expenditures for aid to school districts. To the extent that school districts receive less property tax revenue through the state's uniform mill levy, the state provides more state aid through the school finance formula. However, the Department of Revenue does not have data on the valuation of bed and breakfast property 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 2385; 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 2385 is not reflected in *The FY 2014 Governor's Budget Report*.

Sincerely,



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

cc: Steve Neske, Revenue