

February 21, 2014

The Honorable Richard Carlson, Chairperson
House Committee on Taxation
Statehouse, Room 185-N
Topeka, Kansas 66612

Dear Representative Carlson:

SUBJECT: Fiscal Note for HB 2643 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2643 is respectfully submitted to your committee.

HB 2643 would define the original legislative intent of legislation from 2006 that provided a property tax exemption for commercial and industrial machinery and equipment. In determining the classification of property for property tax purposes, the county appraiser is required to conform to the factors set in the personal property guide from the Director of Property Valuation of the Department of Revenue. When the proper classification of commercial and industrial machinery and equipment cannot be determined by its use, the appraiser would be required to use the following three-part test: annexation to the realty; adaptation to the use of the part of the realty to which it is attached; and the intention of the party making the annexation.

The Department of Revenue indicates HB 2643 would have no fiscal effect on state or local property tax revenues because the bill does not change the definition of commercial and industrial machinery and equipment or the procedure for appraising this type of property. The bill would put the Department's current appraisal guidance for commercial and industrial machinery and equipment into law.

The Kansas Association of Counties and the League of Kansas Municipalities indicate that the bill would reduce local property tax collections by elevating the use of the item over the historic three-part test to determine the classification of commercial and industrial machinery and equipment for property tax purposes. The bill would move items of machinery and equipment that are used in manufacturing, industrial, commercial, and retail process off the real property list and onto the tax-exempt personal property list. However, the Kansas Association of Counties

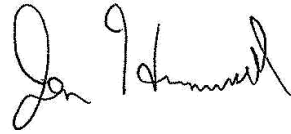
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and the League of Kansas Municipalities do not have complete assessment data on this type of property to make a precise estimate of the fiscal effect on local governments.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Hummell". The signature is written in a cursive style with a large initial "J" and "H".

Jon Hummell,
Interim Director of the Budget

cc: Steve Neske, Department of Revenue
Melissa Wangemann, Association of Counties
Larry Baer, League of Municipalities