

March 17, 2022

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 548-S
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 565 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 565 is respectfully submitted to your committee.

SB 565 would change the classification of all land devoted to agricultural use that is part of the federal Grassland Conservation Reserve Program (Grassland CRP) from “cultivated dry land” to “grassland” for property tax purposes. This change would go into effect in tax year 2023. The bill also changes references from the U.S. Department of Agriculture Soil Conservation Service to the U.S. Department of Agriculture Natural Resources Conservation Service.

The Department of Revenue indicates that it does not have access to data on the number of acres in Kansas that are currently enrolled in Grassland CRP to make a precise estimate of the fiscal effect of SB 565. Under current law, land devoted to agricultural use that is enrolled in Grassland CRP would be classified as cultivated dry land. If current land enrolled Grassland CRP is reclassified as grassland, then the bill would lower the valuation of this land and has potential to decrease property tax revenues. The state would receive less property tax revenues to the two state building funds, the Educational Building Fund and the State Institutions Building Fund. The bill has the potential to decrease the amount of property tax revenues that school districts would receive through the state’s uniform mill levy. The bill also has the potential to decrease revenues to any local government that levies a property tax. However, the Department of Revenue does not know the number of acres that are currently enrolled in the Grassland CRP; therefore, a precise estimate of the amount of decreased property tax revenues and its effect on local and state revenues cannot be made.

The Kansas Association of Counties indicates that the bill would have the potential provide a net decrease to local property tax collections that are used in part to finance local governments. Any fiscal effect associated with SB 565 is not reflected in *The FY 2023 Governor's Budget Report*.

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, Education
Wendi Stark, League of Municipalities
Jay Hall, Association of Counties