

January 15, 2020

The Honorable Caryn Tyson, Chairperson  
Senate Committee on Assessment and Taxation  
Statehouse, Room 123-E  
Topeka, Kansas 66612

Dear Senator Tyson:

**SUBJECT:** Fiscal Note for SB 242 by Senator Holland

In accordance with KSA 75-3715a, the following fiscal note concerning SB 242 is respectfully submitted to your committee.

SB 242 would allow a property owner to apply to the county commission for an abatement or credit of property taxes that are levied against an agricultural improvement property that is destroyed or substantially destroyed by earthquake, flood, tornado, fire, storm, or other natural disaster. The bill defines agricultural improvement property as a farm building or structure, including, but not limited to, a barn, shed, grain bin or outbuilding, utilized for the production of livestock or crops and listed and classified as an agricultural improvement for property taxation purpose. The abatement would be available for up to three years beginning retroactively to tax year 2019 and would also be available in each future tax year. The bill would take effect upon its publication in the *Kansas Register*.

The Department of Revenue indicates passage of SB 242 would decrease property tax revenues by allowing a county commission to grant a property tax abatement or credit for certain property that is destroyed or substantially damaged. The Department of Revenue does not have data on the assessed valuation of the specific property that would receive this abatement or how often a county commission would provide this abatement to make a precise estimate of the amount of reduced property tax revenue. 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. Less property tax revenue would also have an effect on state expenditures for aid to school districts. To the extent that less property tax revenue would be available from the state's uniform mill levy to fund expenditures for school districts, the state would be required to provide more state aid from the State General Fund through the school finance

formula. Local governments that levy a property tax would also receive less revenues; however, the amount of reduced property tax revenues cannot be estimated.

The bill would have no fiscal effect on the operations of the Department of Revenue or the Board of Tax Appeals. The League of Kansas Municipalities and the Kansas Association of Counties indicate that the bill has the potential to significantly reduce the amount of local property tax revenues in communities that are affected by a natural disaster. However, they do not have a basis on which to estimate the amount of property taxes that would be abated to make a precise estimate of the fiscal effect on local governments. Any fiscal effect associated with SB 242 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. L. Campbell". The signature is fluid and cursive, with a large initial "L" and a long, sweeping underline.

Larry L. Campbell  
Director of the Budget

cc: Lynn Robinson, Department of Revenue  
Kaitlyn Willis, League of Municipalities  
Jay Hall, Association of Counties  
Michael Neth, Office of the Adjutant General  
Jody Allen, Tax Appeals  
Dale Dennis, Education