

March 23, 2021

The Honorable Adam Smith, Chairperson  
House Committee on Taxation  
Statehouse, Room 185A-N  
Topeka, Kansas 66612

Dear Representative Smith:

**SUBJECT:** Fiscal Note for HB 2445 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2445 is respectfully submitted to your committee.

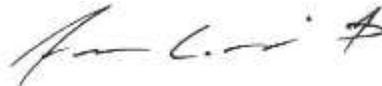
HB 2445 would provide a property tax exemption for health clubs. The bill defines a health club as any corporation, partnership, unincorporated association, or other business enterprise whose primary purpose is to offer facilities that contain cardio, weight training, or strength and conditioning equipment for the preservation, maintenance, encouragement, or development of physical fitness in return for the payment of a fee entitling the buyer to use the facilities. The bill requires the health club to own the property or be part of a business group that owns the property to qualify for the property tax exemption. The exemptions would take effect beginning in tax year 2022.

The Department of Revenue estimates that HB 2445 would decrease property tax revenues by adding a new property tax exemption for certain health clubs. The Department of Revenue does not have data on the assessed valuation of the specific property that would receive this property tax exemption 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 Department indicates that the bill would have no fiscal effect on its operations.

A provision in the federal American Rescue Plan Act of 2021 (ARP) prohibits states or territories from using the federal funds appropriated from ARP “to either directly or indirectly offset a reduction in the net tax revenue of such State or territory resulting from a change in law, regulation, or administrative interpretation during the covered period that reduces any tax (by providing for a reduction in a rate, a rebate, a deduction, a credit, or otherwise) or delays the imposition of any tax or tax increase.” If the state fails to comply with this provision by implementing a reduction of net tax revenue through tax year 2024, the U.S. Treasury would be required to recoup ARP funds in the amount of the net tax revenue reduction. If ARP funds are not available, it is presumed that the State General Fund would be used to reimburse the U.S. Treasury.

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 reduce the amount of local property tax revenues that are used in part to finance local governments. Any fiscal effect associated with HB 2445 is not reflected in *The FY 2022 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  
Wendi Stark, League of Municipalities  
Jay Hall, Association of Counties  
Craig Neuenswander, Education  
Jody Allen, Tax Appeals