

March 3, 2011

The Honorable Richard Carlson, Chairperson
House Committee on Taxation
Statehouse, Room 274-W
Topeka, Kansas 66612

Dear Representative Carlson:

SUBJECT: Fiscal Note for HB 2265 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2265 is respectfully submitted to your committee.

HB 2265 would establish a 15.0 percent interest rate to be charged on delinquent property taxes when the taxpayer is delinquent on three or more tracts of property. The bill would also establish a penalty to be charged on delinquent property taxes when the property is sold. Specifically, if delinquent taxes are owed on property at the time of sale, the seller (owner) would have to pay a penalty equal to 50.0 percent of the total amount of the delinquent taxes, any special assessments, and interest before compensation for the property sale can be received. This penalty would be assessed when the seller (owner) has sold real estate two or more times during the six-year period prior to the most recent sale. The bill would also allow a county commission the option to provide by resolution that vacant land would be subject to a one-year redemption period.

Passage of HB 2265 has the potential to increase property tax revenues by charging a higher interest rate and establishing a penalty for certain delinquent property taxes. Any local government that levies a property tax would receive additional revenue and revenue would also increase 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 additional property tax revenue through the state's uniform mill levy, the state provides less state aid through the school finance formula. However, the Department of Revenue does not have data on the amount of interest or penalties for delinquent property taxes that would be collected under the provisions of HB 2265; therefore, a precise estimate of the amount of increased property tax revenue and its effect on local and

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state revenues cannot be estimated. Any fiscal effect associated with HB 2265 is not reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

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

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