

January 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 2422 by Representative Brunk

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2422 is respectfully submitted to your committee.

Under current law, the definition of watercraft for property tax purposes includes any vessel that is required to be numbered by the Department of Wildlife, Parks and Tourism. HB 2422 would amend the definition of watercraft to also include any documented vessel or any other vessel that is not required to be numbered. The bill would reduce the assessment rate on documented vessels or any other vessel from 30.0 percent of fair market value in tax year 2013 to 11.5 percent in tax year 2014, and to 5.0 percent in tax year 2015 and each future tax year. The bill would take effect upon its publication in the *Kansas Register*.

The Department of Revenue indicates passage of HB 2422 would reduce property tax revenues by lowering the property tax assessment rate on documented vessels and other vessels that are not currently included in the definition of watercraft. The Department of Revenue does not have data on the assessed valuation of documented vessels and other vessels that are not required to be numbered by the Department of Wildlife, Parks and Tourism to make a precise estimate of the amount of reduced property tax revenue; however, the overall reduction to property tax revenues is estimated to be negligible. The bill would reduce the amount of property tax revenues that would be collected for the two state 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 school districts receive less property tax revenue through the state's uniform mill levy, the state provides more state aid through the school finance formula. The bill would also decrease revenues to any local government that levies a property tax.

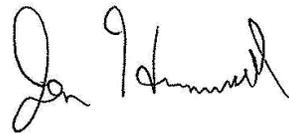
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The Department of Wildlife, Parks and Tourism indicates that there are currently 79 documented vessels in Kansas. However, the Department does not have enough information on the assessed valuation or exemption status of the documented vessels to estimate the fiscal effect of including these documented vessels in the definition of watercraft for property tax purposes. Any fiscal effect associated with HB 2422 is not reflected in *The FY 2015 Governor's Budget Report*.

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
Chris Tymeson, Wildlife, Parks & Tourism
Melissa Wangemann, Association of Counties