

January 27, 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 2455 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2455 is respectfully submitted to your committee.

HB 2455 would provide a property tax exemption for utility systems and associated equipment located on United States Department of Defense military installations in the State of Kansas that are provided exclusively or primarily for use by the military of the United States. The property tax exemption would be for property acquired or installed after December 31, 2013 under the Military Utilities Privatization Initiative. The property tax exemption would be effective in tax year 2014 and each future tax year.

The Department of Revenue indicates that utility systems and associated equipment located on United States Department of Defense military installations in the State of Kansas are not currently assessed a valuation for property tax purposes when the property is owned by the United States Government. Passage of HB 2455 would continue the tax exemption for property that is not owned by the United States Government and would have no fiscal effect.

If this property is not specifically exempted from property taxation, then it is likely that valuation notices would be sent to property owners located on United States Department of Defense military installations and property taxes could potentially be collected. Therefore, passage of HB 2455 has the potential to decrease property tax revenues by extending a current property tax exemption. The state funds directly affected by this bill are the two building funds, the Educational Building Fund and the State Institutions Building Fund. The Department of Revenue does not have data on property located on military installations or what the assessed valuation of that property would be to make a precise estimate of the amount of reduced property tax revenue for the two building funds. Less property tax revenue would also have an effect on state expenditures for aid to school districts. To the extent that school districts would receive

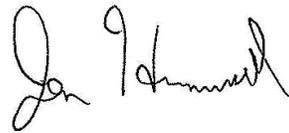
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less property tax revenue through the state's uniform mill levy, the state provides more state aid through the school finance formula. Local governments that levy a property tax could also receive fewer revenues; however, the amount of revenues cannot be estimated. Any fiscal effect associated with HB 2455 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