

March 2, 2015

The Honorable Steve Brunk, Chairperson
House Committee on Federal and State Affairs
Statehouse, Room 285-N
Topeka, Kansas 66612

Dear Representative Brunk:

SUBJECT: Fiscal Note for HB 2368 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2368 is respectfully submitted to your committee.

HB 2368 provides for the establishment of arts and cultural districts, which are defined as developed districts of public and private uses that can be established within the boundaries of cities for the purpose of increasing awareness and support for the arts and culture. The bill would allow cities to grant a property tax credit for ten years in an amount not to exceed the amount of property tax imposed on the assessed property multiplied by 80.0 percent for the first five taxable years, 70.0 percent for the sixth taxable year, 60.0 percent for the seventh taxable year, 50.0 percent for the eighth taxable year, 40.0 percent for the ninth taxable year, and 30.0 percent for the tenth taxable year. The tax credit would be based on the base year assessed valuation. The bill also provides the procedures a city must follow in order to establish an arts and cultural district.

The bill would prohibit granting tax credits on privately owned property that is subject to property taxes if the board of county commissioners or board of education levying taxes on the property determines that granting the credits would have an adverse effect on the county or the school district. Procedures for terminating the arts and cultural district under such circumstances are defined in the bill.

Passage of HB 2368 has the potential to decrease property tax revenues by adding a new property tax credit. The state would receive less property tax revenues to the two state building funds, the Educational Building Fund and the State Institutions Building Fund. The bill would also decrease the amount of property tax revenues that school districts would receive through the state's uniform mill levy. The bill would also decrease revenues to any local government that levies a property tax. However, the Department of Revenue does not have data on the property that would receive a property tax exemption under the provisions of HB 2368; therefore, a

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precise estimate of the amount of decreased property tax revenues and its effect on local and state revenues cannot be estimated.

The League of Kansas Municipalities indicates that while it is unable to determine how many Kansas cities would establish and develop arts and cultural districts and grant tax credits, the cities that do establish these districts would experience a reduction to property tax revenues. While the Kansas Association of Counties expects that Kansas counties could also experience a reduction to property tax revenues, it does not expect the reduction to be significant as a board of county commissioners could terminate the district if it would have an adverse effect on the county. Any fiscal effect associated with HB 2368 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a long horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Melissa Wangemann, Association of Counties
Larry Baer, League of Municipalities