

March 9, 2020

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

Dear Representative Johnson:

**SUBJECT:** Fiscal Note for HB 2615 by Representative Croft

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2615 is respectfully submitted to your committee.

HB 2615 would eliminate the Small Claims and Expedited Hearings Division at the Board of Tax Appeals and create the new Mediation Division within the Board. Trained mediators would be appointed to help settle disputed issues, but would not have any power to force a settlement. The mediation conference would be conducted within 60 days after the appeal is filed unless that time frame is waived by the taxpayer and the mediation conference can be held in person, by telephone, or by video conference. The taxpayer and the county could not be represented by an attorney at the mediation and mediations would be conducted in the county where the property is located or at an adjacent county.

The bill removes language that the county appraiser has the burden of proof to show the valuation is valid and correct. The bill removes language that there is no presumption in favor of the county appraiser. The bill removes language that the burden of proof shifts back to the taxpayer for leased commercial and industrial property when income information is not provided. If a settlement is reached, the mediator will provide a written summary to the parties within 30 days and the signed settlement would not be subject to appeal. If there is no settlement, the taxpayer would be allowed to appeal to the Board of Tax Appeals within 30 days.

Estimated State Fiscal Effect				
	FY 2020 SGF	FY 2020 All Funds	FY 2021 SGF	FY 2021 All Funds
Revenue	--	--	--	--
Expenditure	--	--	\$110,000 to \$185,000	\$110,000 to \$185,000
FTE Pos.	--	--	--	--

The Board of Tax Appeals estimates enactment of HB 2615 would require between \$110,000 and \$185,000 from the State General Fund in FY 2021. The Board indicates that it hears approximately 2,600 small claims appeals annually. The Board's legal staff hears over 50.0 percent of these hearings with the remainder heard by contracted hearing officers. The Board indicates that it would no longer contract with hearing officers, which would save approximately \$40,000 each year under the provisions of the bill. Since 80.0 percent of the small claims are filed in the months of May and June each year, the Board would not be able to use existing legal staff that are not trained in mediation, nor meet the 60-day requirement without contracting with numerous mediators to meet the statutory timeframe. To help settle disputed issues in the new Mediation Division, the Board estimates that it would need an additional \$150,000 to hire individuals with mediation experience or up to at least \$225,000 to hire certified mediators. Therefore, the net increase in expenditures required to implement the bill is between \$110,000 (\$150,000 for individuals with mediation experience minus \$40,000 in cost savings from no longer hiring contract hearing officers) and \$185,000 (\$225,000 for certified mediators minus \$40,000 in cost savings from no longer hiring contract hearing officers). However, these cost estimates assume that the Board would be able to find enough mediators to fulfill the new requirements. Without knowing how many appeal cases would continue to the full Board of Tax Appeals if the mediation conference fails to result in a settlement, the Board does not estimate any changes to its existing legal staff.

The Department of Revenue indicates the bill would have no fiscal effect on state or local property tax revenues and would have no fiscal effect on its operations. The Kansas Association of Counties indicates the bill would have no fiscal effect on county governments as long as the Board of Tax Appeals incurs the mediation costs and if the time commitment to mediation is similar to the time commitment to the current appeals process with the Small Claims and Expedited Hearings Division. Any fiscal effect associated with HB 2615 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,



Larry L. Campbell  
Director of the Budget

cc: Jody Allen, Tax Appeals  
Lynn Robinson, Department of Revenue  
Jay Hall, Association of Counties