

March 21, 2019

REVISED

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Revised Fiscal Note for SB 91 by Senator Holland, et al.

In accordance with KSA 75-3715a, the following revised fiscal note concerning SB 91 is respectfully submitted to your committee.

SB 91 would enact the Golden Years Homestead Property Tax Freeze Act and would allow renters to claim the Homestead Property Tax Refund for tax year 2019 and in each future tax year. The bill would provide a refund on qualifying residential homestead property based on the total amount of property tax increase over the base year beginning in tax year 2019. In order to qualify for this refund program, the qualifying individual must be 65 years of age or older, or a disabled veteran. The qualifying individual must own their homestead free and clear with no mortgage, the value of the residential property must be less than \$350,000, and must have a household income less than \$50,000. A surviving spouse of a qualified individual would be able to continue to be eligible for the refund program unless the surviving spouse remarries. The bill defines a disabled veteran as a person who is a resident of Kansas and has been honorably discharged from active service in any branch of the armed forces of the United States or Kansas National Guard that is certified by the U.S. Department of Veterans Affairs to have a 50.0 percent permanent disability sustained while on active duty. The refund would first be applied to any delinquent property taxes on that homestead and any remainder of the refund would be applied to any state tax liability of the qualified individual or any other member of the household, or to current property tax liability with the county.

Taxpayers claiming this new refund would be prohibited from receiving the Homestead Property Tax Refund, the Selective Assistance for Effective Senior Relief tax credit, or any public funds specifically designated for the payment of taxes. The Director of Taxation would be required to issue an electronic record to each county clerk by October 15 of each year that shows the name of the claimant that received a refund of property taxes for the prior year. The Department of Revenue would have the authority to adopt rules and regulations to implement the bill.

Estimated State Fiscal Effect				
	FY 2019 SGF	FY 2019 All Funds	FY 2020 SGF	FY 2020 All Funds
Revenue	--	--	(\$9,400,000)	(\$9,400,000)
Expenditure	--	--	\$850,939	\$850,939
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 91 would decrease individual income tax receipts to the State General Fund by \$9.4 million in FY 2020, \$11.7 million in FY 2021, and \$14.0 million in FY 2022.

To formulate the estimates on the Golden Years Homestead Property Tax Freeze Act, the Department of Revenue reviewed housing, population, veteran data from the U.S Census Bureau and housing and property tax data from the Property Valuation Division of the Department of Revenue. The Department estimates that 36,000 eligible taxpayers would claim approximately \$2.1 million in refunds in FY 2020. The average refund claim would be approximately \$59 in FY 2020. Assuming that property taxes continue to increase by approximately 3.1 percent each year, then \$4.2 million in refunds would be claimed in FY 2021 and \$6.3 million in FY 2022.

To formulate the estimates on allowing renters to claim the Homestead Property Tax Refund, the Department of Revenue reviewed data on the Homestead Property Tax Refund that was last available to renters in tax year 2012. The Department estimates that 24,100 eligible taxpayers would claim approximately \$7.3 million in additional Homestead Property Tax Refunds in tax year 2019 or FY 2020. The average refund claim would be approximately \$301 in FY 2020. The Department estimates that approximately \$7.5 million in refunds would be claimed in FY 2021 and \$7.7 million in FY 2022.

The Department of Revenue indicates that it would require a total of \$850,939 from the State General Fund in FY 2020 to implement the bill and to modify the automated tax system. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue and outside contract programmer services. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department's current budget may be required. Since the original fiscal note was issued, the Department of Revenue lowered its estimate on administrative costs needed to implement the bill.

The Department of Administration indicates that adjusting state income tax collections has the potential to have a fiscal effect on the amount of revenue collected from its debt setoff program. This program intercepts individual income tax refunds and homestead tax refunds and applies those amounts to debts owed to state agencies, municipalities, district courts, and state agencies in other states. Debts include, but are not limited to child support, taxes, educational expenses, fines, services provided to the debtor, and court ordered restitution. As the dollar amounts of refunds are increased, the amount available for possible debt setoffs is also increased. However, the

Department is unable to make an estimate of the amount of additional debts setoffs that will be intercepted as a result of the bill.

The Department of Education, League of Kansas Municipalities, and the Kansas Association of Counties indicate the bill would have no fiscal effect on state and local property tax collections. Any fiscal effect associated with SB 91 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink that reads "L. L. Campbell". The signature is written in a cursive style with a large initial "L" and a long, sweeping underline.

Larry L. Campbell
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Dale Dennis, Education
Colleen Becker, Department of Administration
Chardae Caine, League of Municipalities
Jay Hall, Association of Counties