

March 15, 2022

The Honorable Adam Smith, Chairperson
House Committee on Taxation
Statehouse, Room 346-S
Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2729 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2729 is respectfully submitted to your committee.

HB 2729 would provide a property tax exemption of 50.0 percent of the first \$200,000 in assessed valuation for homesteads of individuals that are 65 years of age or older for the full tax year that the exemption is requested. The individual is required to regularly occupy and use the homestead predominantly as a residence for the previous ten consecutive years. 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 Department of Revenue's Division of Property Valuation would be required to make available forms and instructions for claimants and provide copies of forms and instructions to all county clerks and county treasurers. The program would begin in tax year 2023 with applications due to the county treasurer by April 1 for the calendar year that the exemption is requested. The county treasurer would be required to grant or deny the application. The bill would require the county clerk to assist individuals in applying for the exemption.

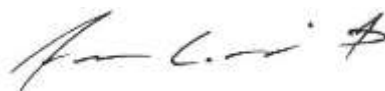
On a monthly basis, each county treasurer would submit the dollar amount of property taxes that are exempted in its county under the provisions of the bill to the Director of Taxation at the Department of Revenue. The Director would provide a refund to the county from the Property Tax Refund Fund. The Property Tax Refund Fund would be maintained by the Director of Property Valuation at the Department of Revenue and would be funded with transfers from the State General Fund.

The Department of Revenue estimates that HB 2729 would decrease State General Fund revenues by \$119.3 million in FY 2024, by \$124.1 million in FY 2025, and by \$129.1 million in

FY 2026. To formulate these estimates, the Department of Revenue reviewed housing 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 approximately 110,648 homesteads would qualify for the property tax exemption program in tax year 2023. The estimate assumes individuals would still be able to participate in the Homestead Property Tax Refund or Selective Assistance for Effective Senior Relief (SAFESR) tax credit. However, claims for the Homestead and SAFESR refunds would be lower by approximately \$3.5 million, which is included in the fiscal effect of this bill. The Department assumes that 50.0 percent of individuals that are 65 years of age or older or a surviving spouse have lived in their home for at least ten years. The estimated median value of the homestead is \$145,000 and the estimated value of the property tax exemption would be \$1,119. The Department assumes that property taxes would increase by 4.0 percent each year. The Department indicates that the administrative costs associated with implementing the provisions of the bill would be negligible and could be absorbed within existing resources.

The Kansas Association of Counties indicates that the bill has the potential to increase costs for county governments, by requiring county clerks to assist individuals in applying for the exemption. The bill would also require county treasurers to review and approve property tax exemption applications and request reimbursement each month from the Department of Revenue for the amount of property taxes that are exempted under the provisions of the bill. This may require additional accounting and administrative staff time to complete necessary documents for the Department of Revenue. It is unknown if the implementation costs could be absorbed within existing staff levels or if additional resources would be needed to implement the bill. Any fiscal effect associated with HB 2729 is not reflected in *The FY 2023 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Jay Hall, Association of Counties