

April 11, 2025

The Honorable Caryn Tyson, Chairperson  
Senate Committee on Assessment and Taxation  
300 SW 10th Avenue, Room 548-S  
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 201 by Senator Schmidt

In accordance with KSA 75-3715a, the following fiscal note concerning SB 201 is respectfully submitted to your committee.

SB 201 would exempt certain amounts of property taxes for a qualified residence for certain disabled veterans and law enforcement officers beginning in tax year 2026. The amount of the property tax exemption would be determined according to the disability rating for a service-connected disability. For disabled veterans, the disability rating would be the certified amount from the U.S. Department of Veterans Affairs. The property tax exemption would be as follows:

<u>Disability Rating</u>	<u>Amount of the Property Tax Exemption</u>
30.0 percent to less than 50.0 percent	Up to \$2,500
50.0 percent to less than 60.0 percent	Up to \$5,000
60.0 percent and above	Full exemption

Disabled veterans and law enforcement officers would be required to claim the property tax exemption by March 1 of each year with the Board of Tax Appeals (BOTA); however, individuals with a combined service-connected disability rating of 100.0 percent who are deemed to be permanently and totally disabled would continue to receive the property tax exemption and would not have to claim the exemption on an annual basis. If the taxpayer is the surviving spouse of a former a veteran or law enforcement officer whose death was service-connected or in the line of duty, then the property would be exempt from property taxation. A surviving spouse of a qualified disabled veteran or law enforcement officer would continue to be eligible for this new

property tax exemption unless the surviving spouse remarries. The appraised value of the qualified residence would be required to be less than \$250,000. If the person qualifying for the property tax exemption does not occupy the qualified residence as of January 1 of the taxable year, the property tax exemption would be prorated on a monthly basis. The prorated property tax exemption would apply beginning with the first complete month in which the person occupies the qualified residence.

Passage of SB 201 would decrease property tax revenues by providing a new property tax exemption for certain disabled veterans and law enforcement officers. The state funds directly affected by this bill are the two building funds, the Educational Building Fund (EBF) and the State Institutions Building Fund (SIBF). The Department of Revenue estimates this bill would decrease revenues to these two funds by \$1,100,000 in FY 2027, with \$730,000 from the EBF and \$370,000 from the SIBF. Less property tax revenue would also affect state expenditures for aid to school districts. To the extent that less property tax revenue would be available from the state's uniform mill levy to fund expenditures for school districts, the state would be required to provide an additional \$14,620,000 in state aid from the State General Fund through the school finance formula in FY 2027. Local governments that levy a property tax would also receive less revenue; however, the amount of reduced local property tax revenues was not estimated. The fiscal effect to state revenues during subsequent years would be as follows:

	<u>FY 2028</u>	<u>FY 2029</u>
School District Finance	(\$15,380,000)	(\$16,180,000)
EBF	(770,000)	(810,000)
SIBF	<u>(380,000)</u>	<u>(400,000)</u>
	(\$16,530,000)	(\$17,390,000)

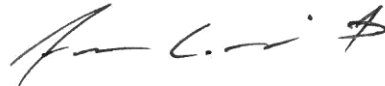
To formulate these estimates, the Department of Revenue reviewed data on disabled veterans from the Housing Assistance Council and the National Center for Veterans Analysis and Statistics. The Department estimates that 34,497 individuals would qualify for this new property tax exemption. The Department assumes that the average value of a veteran-owned home is \$200,000, the average annual property tax increase is 5.21 percent, and 74.5 percent of veterans in Kansas receiving disability own their home. The Department was unable to determine the number of disabled law enforcement officers with a service-connected disability but assumed that it would be 25.0 percent of the number of disabled veterans. There would also be an undetermined increase in State General Fund revenues from taxpayers that would no longer qualify for the homestead property tax refund program. The Department indicates the bill would have no fiscal effect on its operations.

BOTA indicates that the bill would require \$960,000 from the State General Fund in FY 2026 and \$720,000 in FY 2027 to review and approve property tax exemption claims from disabled veterans and law enforcement officers. This responsibility would require the agency to hire 12.00 new FTE positions in FY 2026 to process approximately 35,000 applications in FY 2026. It is estimated that 20.0 to 25.0 percent of applications would come from individuals with a combined service-connected disability rating of 100.0 percent and would only have to apply one time. Only 9.00 FTE positions would be required to review approximately 27,000 annual applications

beginning in FY 2027. Each new FTE position, either an attorney or an individual with legal or professional training, would be required to work independently to process these applications. For each new FTE position, salaries and wages would total \$75,000 and overhead expenses would total \$5,000. BOTA indicates that its cost estimate does not include office space rent as the agency does not have space for these new positions. It is assumed that these positions would work remotely or use a flexible work schedule. Any fiscal effect associated with SB 201 is not reflected in *The FY 2026 Governor's Budget Report*.

The League of Kansas Municipalities and the Kansas Association of Counties indicate that the bill has the potential to reduce the amount of local property tax revenues that are used in part to finance local governments. However, they do not have a basis on which to estimate the amount of property taxes that would be exempted to make a precise estimate of the fiscal effect on local governments. The bill has the potential to shift the tax burden to other property classifications and types.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", followed by a stylized flourish.

Adam C. Proffitt  
Director of the Budget

cc: Stephen Bauchum, Board of Tax Appeals  
Lynn Robinson, Department of Revenue  
Wendi Stark, League of Kansas Municipalities  
Jay Hall, Kansas Association of Counties  
Gabrielle Hull, Department of Education  
Melissa Ford, Office of Veterans Services