

February 16, 2012

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

Dear Senator Donovan:

SUBJECT: Fiscal Note for SB 365 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 365 is respectfully submitted to your committee.

SB 365 would provide a property tax exemption for health clubs. The bill defines a health club as any corporation, partnership, unincorporated association, or other business enterprise whose primary purpose is to offer facilities that contain cardio, weight training or strength conditioning equipment for the preservation, maintenance, encouragement or development of physical fitness in return for the payment of a fee entitling the buyer to use the facilities. The property tax exemption would be effective beginning in tax year 2013.

Passage of SB 365 would decrease property tax revenues by adding a property tax exemption. The state funds directly affected by this bill are the two building funds, the Educational Building Fund and the State Institutions Building Fund. The Department of Revenue does not have data on the number of health clubs in the state that would qualify for this new property tax exemption or the assessed valuation of that property to make a precise estimate of the amount of reduced property tax revenue. The bill would also have an effect on state expenditures for aid to school districts. To the extent that school districts would receive less property tax revenue through the state's uniform mill levy, the state would provide additional state aid through the school finance formula. The bill would also decrease revenues to any local government that levies a property tax. Any fiscal effect associated with SB 365 is not reflected in *The FY 2013 Governor's Budget Report*.

Sincerely,



Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Steve Neske, Revenue