Landon State Office Building
900 S.W. Jackson, Room 504
Topeka, KS 66612

Kansas
Division of the Budget

phone: 785-296-2436
fax: 785-296-0231
steve.anderson@budget.ks.gov

Steven J. Anderson, CPA, MBA, Director

Sam Brownback, Governor

March 1, 2013

The Honorable Richard Carlson, Chairperson
House Committee on Taxation
Statehouse, Room 285-N
Topeka, Kansas 66612

Dear Representative Carlson:

SUBJECT: Fiscal Note for HB 2134 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2134 is respectfully submitted to your committee.

HB 2134 would prohibit a county appraiser from increasing the valuation of a property for three years after the property has been reduced by a final determination made in the valuation appeals process, unless the county appraiser determines that there are "substantial and compelling reasons." The bill defines "substantial and compelling reasons" to mean a change in the character of the use of the property or a substantial addition or improvement to the property. The bill defines what is and is not included in the definition of substantial addition or improvement. The bill would allow the Small Claims Division of the Court of Tax Appeals to have jurisdiction in cases that involve the valuation of property that has been increased by the county appraiser in the three years after the valuation of the property has been reduced by a final determination made in the valuation appeals process regardless of the amount.

The bill would allow a taxpayer to submit an independent appraisal of the property prepared by a licensed appraiser at the informal meeting for property tax appeals. If the county appraiser declines to adopt the valuation established in the independent appraisal, and the taxpayer decides to continue the valuation appeals process, then the county appraiser would be required to show why the independent appraisal is not valid. However, if the taxpayer's property is subsequently reduced by a final determination of the valuation appeals process, then the county would be required to pay all reasonable attorney fees and costs of the prevailing taxpayer. The bill would also require the county appraiser, at the informal meeting for property tax appeals, to provide evidence to substantiate the valuation of the property, including allowing the taxpayer the opportunity to review the data sheet of comparable sales used in the determination of the valuation at least 48 hours before any hearing on the valuation.

The Department of Revenue indicates passage of HB 2134 has the potential to reduce property tax revenues by limiting the ability of county appraisers to increase the valuation of property for a period of three years after the property has been reduced by a final determination made in the valuation appeals process. The Department of Revenue does not have data on the assessed valuation of the specific property that would be affected by this bill to make a precise estimate of the amount of the reduction to property tax revenues. However, the Department estimates that the reduction to property tax revenues would be negligible. The bill would reduce the amount of property tax revenues that would be collected for the two building funds, the Educational Building Fund and the State Institutions Building Fund. Less property tax revenue 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 more state aid through the school finance formula. Local governments that levy a property tax would also receive less revenue; however, the amount cannot be estimated.

The Court of Tax Appeals indicates that the bill would have no fiscal effect on its operations. Any fiscal effect associated with HB 2134 is not reflected in *The FY 2014 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. However, they do not have a basis on which to estimate the amount of property taxes that would be reduced to make a precise estimate of the fiscal effect on local governments. If lower property tax revenues are generated as a result of HB 2134 then local governments would be required to offset this reduction by either increasing the local mill levy or by decreasing expenditures.

Sincerely,

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

cc: Steve Neske, Revenue
Melissa Wangemann, KAC
Jody Allen, COTA
Larry Baer, LKM