

February 17, 2014

The Honorable Richard Carlson, Chairperson
House Committee on Taxation
Statehouse, Room 185-N
Topeka, Kansas 66612

Dear Representative Carlson:

SUBJECT: Fiscal Note for HB 2593 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2593 is respectfully submitted to your committee.

Under current law, reserves and leases for mineral interests are required to be listed with the register of deeds within 90 days after execution and would be voided if they are not listed for taxation. HB 2593 would eliminate this requirement.

The Department of Revenue indicates passage of HB 2593 has the potential to reduce property tax revenues by making it more difficult to value and track severed mineral interests. The current requirement to list reserves and leases for mineral interests with the register of deeds allows the county appraiser to discover and value severed mineral interests for property tax purposes. The Department of Revenue does not have data on the assessed valuation of severed mineral interests that would no longer be discovered and valued to make a precise estimate of the amount of reduced property tax revenue; however, the overall reduction to property tax revenues is estimated to be negligible. The bill would reduce the amount of property tax revenues that would be collected for the two state 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 receive less property tax revenue through the state's uniform mill levy, the state customarily provides more state aid through the school finance formula. The bill would also decrease revenues to any local government that levies a property tax.

The bill would have no fiscal effect on the operations of the Department of Revenue or the Court of Tax Appeals. Any fiscal effect associated with HB 2593 is not reflected in *The FY 2015 Governor's Budget Report*.

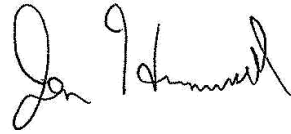
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The Kansas Association of Counties indicates that the bill would reduce local property tax collections. However, the Association does not have complete assessment data on this type of property to make a precise estimate of the fiscal effect on local governments.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Hummell". The signature is fluid and cursive, with the first name "Jon" being more prominent than the last name "Hummell".

Jon Hummell,
Interim Director of the Budget

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