

March 19, 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 2679 by House Committee on Veterans, Military and
Homeland Security

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2679 is respectfully submitted to your committee.

HB 2679 would provide a property tax exemption for the homestead residence of a 100.0 percent disabled veteran or spouse of a 100.0 percent disabled veteran. The bill defines a 100.0 percent disabled veteran as a person who has served in the armed forces of the United States or the Kansas National Guard and who is entitled to compensation for a service-connected disability of 100.0 percent under the laws administered by the Department of Veterans Affairs. The property tax exemption would be available for qualifying taxpayers beginning in tax year 2014.

Passage of HB 2679 would decrease property tax revenues by creating a new property tax exemption. 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 \$54,000 in FY 2015, with \$36,000 from the EBF and \$18,000 from the SIBF. 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 customarily provides additional state aid through the school finance formula. The Department of Revenue estimates that the additional state expenditures for aid to schools would be \$725,000 in FY 2015. The bill would also decrease local property tax revenues by approximately \$3,971,000 in FY 2015. The bill would have a similar fiscal effect for FY 2016 and each future fiscal year.

To formulate these estimates, the Department of Revenue reviewed data on disabled veterans from the United States Department of Veterans Affairs. The Department of Revenue estimates that there are approximately 3,300 disabled veterans in the state with a disability rating

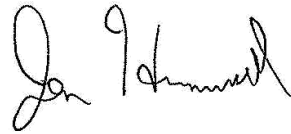
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of 100.0 percent. However, it is estimated that 2,475, or 75.0 percent, would qualify for this property tax exemption by owning their home. The Department estimates that these individuals pay approximately \$4,750,000 in property taxes based on the median home value in Kansas of \$127,400 and the average county mill levy of 131 in tax year 2012. Any fiscal effect associated with HB 2679 is not reflected in *The FY 2015 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Hummell". The signature is written in a cursive style with a large initial "J" and "H".

Jon Hummell,
Interim Director of the Budget

cc: Steve Neske, Department of Revenue
Kafer Peele, Veterans Affairs
Jody Allen, Tax Appeals
Melissa Wangemann, Association of Counties