

February 25, 2013

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 165 by Senator O'Donnell, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning SB 165 is respectfully submitted to your committee.

SB 165 would allow a property owner to apply to the county commission for an abatement of property taxes that are levied against a property that is destroyed or substantially destroyed by fire, wind, or other calamity. The abatement would be available for up to three years. The bill would take effect upon its publication in the *Kansas Register*.

The Department of Revenue indicates passage of SB 165 would decrease property tax revenues by allowing a county commission to grant a property tax abatement for certain property that is destroyed or substantially damaged. The Department of Revenue does not have data on the assessed valuation of the specific property that would receive this abatement or how often a county commission would provide this abatement to make a precise estimate of the amount of reduced property tax revenue. 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 revenues; however, the amount of change cannot be estimated. Any fiscal effect associated with SB 165 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 significantly reduce the amount of local property tax revenues in communities that are affected by a disaster. However, they do not have a basis on which to estimate the amount of property taxes that would be abated to make a precise estimate of the

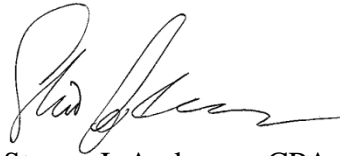
The Honorable Les Donovan, Chairperson

February 25, 2013

Page 2—SB 165

fiscal effect on local governments. If lower property tax revenues are generated as a result of SB 165 then local governments would be required to offset this reduction by either increasing the local mill levy or by decreasing expenditures.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

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

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