

SESSION OF 2013

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2244

As Amended by House Committee on Taxation

Brief*

HB 2244, as amended, would implement changes to the property tax system for watercraft such that the current 30 percent assessment level would be reduced to 11.5 percent in tax year 2014; and then to 5 percent in tax year 2015 and thereafter. The only exception to these new assessment levels would be for watercraft with a fair market value of \$1,000 or less. Such property would pay an annual tax of \$12.

“Watercraft” would be defined to include those vessels requiring numbering pursuant to KSA 32-1110. The reduced assessment rates also would be extended to certain trailers designed to launch, retrieve, transport, and store the watercraft, as well as nonelectric motors necessary to operate them on the water.

Background

A constitutional amendment adopted by voters in November authorized the Legislature to change the property tax treatment for watercraft.

The original bill would have totally exempted all watercraft by 2016. A subcommittee, which found the total exemption was not warranted, recommended several changes, including the \$12 minimum tax provision and extension of the reduced assessment rate to nonelectric motors. The subcommittee also recommended that the

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

assessment level not fall below the same 11.5 percent currently applicable to residential property, and that the 11.5 percent level not be implemented until tax year 2018 out of concerns about the narrowing of the base causing tax burden shifts on to other classes of property, especially in Jefferson and Osage counties. The House Taxation Committee adopted the subcommittee report, but subsequently amended this latter subcommittee recommendation to provide for the more immediate and significant reduction in the assessment level.

During public hearings on the original bill, proponents, including the Department of Wildlife, Parks and Tourism, generally expressed optimism that a number of individuals with boats registered outside of the state, especially in Oklahoma, would choose to switch their registration to Kansas if the tax burden were to be reduced. Opponents, including the Kansas Association of Counties, expressed concerns about the shifting of the local tax burden on to other classes of property, especially residential and agricultural land.

The 21.5 mills in state property tax levies are fixed by state law and (unlike local levies) do not have the ability to automatically adjust upward to offset a narrowed property tax base. Data provided by the Property Valuation Division therefore indicated that there would be the following reduction in local effort for purposes of the school finance formula from the mandatory school district general fund levy (20 mills); and in receipts to state building funds (1.5 mills):

(\$ in millions)

Tax Year	20 mills	1.5 mills	Total
2014	\$ (0.991)	\$ (0.074)	\$ (1.066)
2015	(1.367)	(0.102)	(1.469)
2016	(1.408)	(0.106)	(1.513)
2017	(1.450)	(0.109)	(1.559)
2018	(1.493)	(0.112)	(1.605)
5-yr total	\$ (6.709)	\$ (0.503)	\$ (7.212)

