

March 21, 2023

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
300 SW 10th Avenue, Room 548-S
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 311 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 311 is respectfully submitted to your committee.

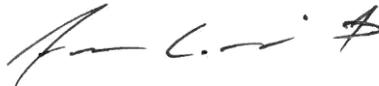
SB 311 would require that the sale price or value at which a property sells or transfers ownership in a federal Internal Revenue Code Section 1031 exchange would not be considered an indicator of fair market value or as a factor in arriving at fair market value for property tax valuation purposes. Federal Internal Revenue Code Section 1031 exchange transactions would not be used as comparable sales for valuation purposes or as valid sales for purposes of sales ratio studies conducted by the Director of Property Valuation at the Department of Revenue.

The Department of Revenue indicates SB 311 would have no fiscal effect on state and local property tax revenues. The Department indicates that the administrative costs associated with updating related guides and documents related to real estate market transactions would likely be accomplished within existing staff levels and resources.

The League of Kansas Municipalities and the Kansas Association of Counties indicate the bill has the potential to reduce property tax valuations as the bill redefines “fair market value” and how property valuation can be assessed. However, the Association does not have a basis on which

to estimate the amount of lower property tax valuations to make a precise estimate of the fiscal effect on local governments.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt". The signature is fluid and cursive, with a distinct flourish at the end.

Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Craig Neuenswander, Department of Education
Wendi Stark, League of Kansas Municipalities
Jay Hall, Kansas Association of Counties