

February 24, 2011

The Honorable Richard Carlson, Chairperson
House Committee on Taxation
Statehouse, Room 274-W
Topeka, Kansas 66612

Dear Representative Carlson:

SUBJECT: Fiscal Note for HB 2350 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2350 is respectfully submitted to your committee.

HB 2350 would impose a payment in lieu of a property tax on certain qualifying exempt crude oil pipelines in which construction on the pipeline property commenced on or after February 14, 2011. Pipeline property used or to be used primarily for transportation of crude oil or oil by-products would be required to make a payment in lieu of a property tax in the amount of 3.0 percent of the qualified investment. The bill would not apply to pipelines used to transport natural gas liquids. Payments would be prorated based on the number of miles of exempt pipeline in the county versus the state. The payment would be calculated annually by the Director of Property Valuation and certified to the county clerk of each county where an exempt pipeline is located and would be adjusted annually for inflation. The payment would be collected in the same manner as the property tax and the county clerk would include the payment as a revenue source when calculating the final tax levy rate for that county. The bill would take effect upon its publication in the *Kansas Register*.

Passage of HB 2350 would increase property tax revenues by collecting a payment in lieu of a property tax on property that is currently exempt from paying property taxes. Any local government that levies a property tax would receive additional revenue and revenue would also increase to the two state building funds, the Educational Building Fund and the State Institutions Building Fund. The bill would also have an effect on state expenditures for aid to school districts. To the extent that school districts receive additional property tax revenue through the state's uniform mill levy, the state provides less state aid through the school finance formula. However, the Department of Revenue does not have data on the amount of qualifying exempt crude oil pipelines that would be required to make a payment in lieu of a property tax under the provisions of HB 2350; therefore, a precise estimate of the amount of increased property tax

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revenue and effect on local and state revenues cannot be estimated. The Department of Revenue indicates that the costs associated with implementing the bill would be negligible and could be absorbed with existing resources. Any fiscal effect associated with HB 2350 is not reflected in *The FY 2012 Governor's Budget Report*.

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