

March 6, 2012

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

Dear Representative Carlson:

SUBJECT: Fiscal Note for HB 2769 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2769 is respectfully submitted to your committee.

HB 2769 would provide a property tax exemption for housing developments and related improvements located on United States Department of Defense military installations in the State of Kansas. These housing developments are exclusively or primarily for use by military personnel of the United States and their families. The property tax exemption would be effective in tax year 2011 and each future tax year. The bill would take effect upon its publication in the *Kansas Register*.

The Department of Revenue indicates that housing developments and related improvements located on United States Department of Defense military installations in the State of Kansas are not currently assessed a valuation for property tax purposes because property taxes are not collected on this property. In 2009, the Kansas Attorney General issued an opinion that real and personal property of citizens within the Fort Riley Reservation could be subject to property taxation based on the 1889 law that ceded jurisdiction of Fort Riley to the United States. Passage of HB 2769 would continue the property tax exemption for housing developments and related improvements located on United States Department of Defense military installations in the State of Kansas and would have no fiscal effect.

If this property is not specifically exempted from property taxation, then it is likely that valuation notices would be sent to property owners located on United States Department of Defense military installations and property taxes could potentially be collected for the current and two preceding tax years, which would encompass 2010, 2011, and 2012. The state funds directly affected by property taxes are the two building funds, the Educational Building Fund and the State Institutions Building Fund. The Department of Revenue does not have data on the amount of property located on military installations or what the assessed valuation of that property would be to make a precise estimate of the amount of additional property tax revenue

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for the two building funds. Additional property tax revenue would also have an effect on state expenditures for aid to school districts. To the extent that school districts would receive more property tax revenue through the state's uniform mill levy, the state would provide less state aid through the school finance formula. Local governments that levy a property tax would also receive additional revenues; however, the amount of additional revenues cannot be estimated. Any fiscal effect associated with HB 2769 is not reflected in *The FY 2013 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", written in a cursive style.

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

cc: Steve Neske, Revenue
Melissa Wangemann, KAC
Larry Baer, LKM
Dale Dennis, Education
Cheri Froetschner, Adjutant General's Office