

April 3, 2015

The Honorable Marvin Kleebl, Chairperson
House Committee on Taxation
Statehouse, Room 185-N
Topeka, Kansas 66612

Dear Representative Kleebl:

SUBJECT: Fiscal Note for HB 2372 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2372 is respectfully submitted to your committee.

HB 2372 would provide a property tax exemption for any trailer used by an individual exclusively for personal use. The property tax exemption would apply to trailers, semitrailers, or pole trailers. The bill would not include commercial and farm trailers that are already exempt from property taxes. The bill would become effective in tax year 2015.

Passage of HB 2372 would decrease property tax revenues by adding a new property tax exemption. The state funds that would be affected by this bill are the Educational Building Fund (EBF) and the State Institutions Building Fund (SIBF). The Department of Revenue estimates this bill would decrease revenues to these two funds by \$41,250 in FY 2016, with \$27,500 going to the EBF and \$13,750 going to the SIBF. The bill would decrease property tax revenues by \$550,000 that school districts would receive through the state's uniform mill levy. The bill would also decrease revenues to any local government that levies a property tax.

To formulate these estimates, the Department of Revenue reviewed data on personal use trailers, which are categorized into the "other" subclass of personal property. The Department indicates the "other" subclass of personal property had \$55,032,179 in assessed valuation in FY 2014, with almost 50.0 percent attributed to personal use trailers. The Department estimates that the assessed valuation in the "other" subclass of personal property would be reduced by approximately \$27.5 million in tax year 2015.

The Department of Revenue indicates the bill would require \$1,240 from the Vehicle Operating Fund for administrative costs to implement the bill, including updating instructions for county officials, and to modify its motor vehicle processing system. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. However, if the combined effect of implementing this bill and other enacted legislation exceeds

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the Department's programming resources, or if the time for implementing the changes is too short, expenditures for outside contract programmer services beyond the Department's current budget may be required.

The League of Kansas Municipalities and the Kansas Association of Counties indicate that the bill would reduce the amount of local property tax revenues that are currently collected from personal use trailers. The bill would require the county appraiser to take off personal use trailers from the existing tax roll. The League and the Association indicate that property tax revenues are used in part to finance local governments.

The bill has the potential to provide a negligible increase in new and used personal use trailers sales by reducing the costs associated with owning a personal use trailer. However, a precise fiscal effect on the amount of additional personal use trailer sales and the subsequent effect on retail sales tax collections cannot be estimated. Any fiscal effect associated with HB 2372 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Jack Smith, Department of Revenue
Melissa Wangemann, Association of Counties
Larry Baer, League of Municipalities