

March 10, 2023

The Honorable Leo Delperdang, Chairperson
House Committee on Energy, Utilities and Telecommunications
300 SW 10th Avenue, Room 582-N
Topeka, Kansas 66612

Dear Representative Delperdang:

SUBJECT: Fiscal Note for HB 2327 by Representative Xu, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2327 is respectfully submitted to your committee.

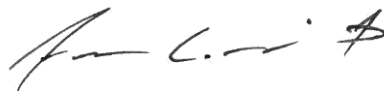
Under current law, new qualifying pipeline property is exempt from property taxes for the ten taxable years immediately following the taxable year that construction or installation of the property is completed. HB 2327 would discontinue the property tax exemption for new qualifying pipeline property that experiences a spill or leak of crude oil, natural gas liquids, or other substances. For any property that received this property tax exemption that experienced a spill or leak of crude oil, natural gas liquids, or other substances on or before June 30, 2023, the exemption would cease and expire on June 30, 2023. For any property that receives this property tax exemption that experiences a spill or leak of crude oil, natural gas liquids, or other substances after June 30, 2023, the exemption would cease and expire on the date of the spill or leak. The bill also includes procedures that allow for the recoupment of certain property taxes if the property experiences a spill or leak.

Passage of HB 2327 has the potential to increase property tax revenues by removing a current property tax exemption for new qualifying pipeline property that experiences a spill or leak of crude oil, natural gas liquids, or other substances. Under this scenario, the state would receive additional property tax revenues to the two state building funds, the Educational Building Fund and the State Institutions Building Fund. The bill has the potential to increase the amount of property tax revenues that school districts would receive through the state's uniform mill levy. The bill also has the potential to increase revenues to any local government that levies a property tax. However, the Department of Revenue does not have data on the property that now could be assessed property taxes or the recoupment of prior years' owed property taxes under the provisions of HB 2327; therefore, a precise estimate of the amount of increased property tax revenues and its

effect on local and state revenues cannot be estimated. The Department indicates that there are six pipelines that are currently exempt from property taxes with a total assessed valuation of \$509.9 million.

The League of Kansas Municipalities and the Kansas Association of Counties indicate that the bill has the potential to increase local property tax revenues that are used in part to finance local governments. Any fiscal effect associated with HB 2327 is not reflected in *The FY 2024 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

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