

February 14, 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 138 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 138 is respectfully submitted to your committee.

Under current law, property owned by the Strother Field Airport Commission as of January 1, 1992, is exempt from property taxes. SB 138 would expand the property tax exemption to include the property owned by political subdivisions comprising the Strother Field Airport Commission and the property tax exemption would be extended to property included in the airport's federally approved airport layout plan whether used for aviation related purposes, to promote aviation commerce, or to provide revenue to operate all Strother Field components and activities. The bill would also cancel all property taxes, penalties, and interest owed on this property before January 1, 2023.

The Department of Revenue indicates that there are currently two parcels of property in Cowley County that have the potential to be impacted from the expansion of this property tax exemption included in SB 138. Exemption applications for both parcels are pending with the Board of Tax Appeals (BOTA). If BOTA rules that these two parcels of property are exempt, this bill would have no fiscal effect on state and local property revenues. If BOTA rules that these two parcels of property are not exempt, the bill could decrease property tax revenues by expanding a current property tax exemption. The state funds directly affected by this bill are the two building funds, the Educational Building Fund (EBF) and the State Institutions Building Fund (SIBF). The Department of Revenue estimates this bill could decrease revenues to these two funds by \$513 in FY 2024, with \$342 from the EBF and \$171 from the SIBF. Less property tax revenue would also affect state expenditures for aid to school districts. To the extent that less property tax revenue would be available from the state's uniform mill levy to fund expenditures for school districts, the state could be required to provide an additional \$6,834 in state aid from the State General Fund

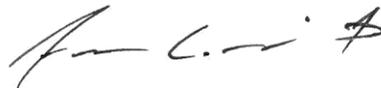
through the school finance formula in FY 2024. Local governments that levy a property tax could also receive less revenue; however, the amount of reduced property tax revenues was not estimated. The bill has the potential to reduce future state and local property taxes if additional buildings are constructed for businesses that would be exempt from the property tax. The fiscal effect to state revenues during subsequent years could be as follows:

	<u>FY 2025</u>	<u>FY 2026</u>
School District Finance	(\$7,244)	(\$7,678)
EBF	(362)	(384)
SIBF	<u>(181)</u>	<u>(192)</u>
	(\$7,787)	(\$8,254)

The Department of Revenue indicates the bill would have no fiscal effect on its operations. Any fiscal effect associated with SB 138 is not reflected in *The FY 2024 Governor's Budget Report*.

The Kansas Association of Counties indicate that the bill has the potential to reduce the amount of local property tax revenues that are used in part to finance local governments.

Sincerely,



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