

SESSION OF 2023

SUPPLEMENTAL NOTE ON SENATE BILL NO. 138

As Amended by Senate Committee on
Assessment and Taxation

Brief*

SB 138, as amended, would modify the property tax exemption for Strother Field airport property, repeal state building fund mill levies and create transfers to the funds, and increase the residential property tax exemption from the statewide school finance mill levy.

Strother Field Airport Property Tax Exemption

The bill would modify the property tax exemption for Strother Field airport to replace the condition to qualify for the exemption from being property owned by the airport commission on and before January 1, 1992, with a condition requiring the property to be owned by the airport commission or the political subdivisions comprising the airport commission and depicted on the airport's federally approved airport layout plan, whether such property is used for aviation related purposes, to promote aviation commerce, or to provide revenue to operate all Strother Field components and activities.

The bill would stipulate that any property taxes on such property for all tax years commencing prior to January 1, 2023, are declared canceled, but would specify that any amount paid for such property taxes would not be refunded.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

State Building Fund Mill Levies and Transfers

The bill would eliminate, beginning in tax year 2024, the statewide mill levies of 1.0 mills for state educational buildings and 0.5 mills for state institutions buildings and would create, beginning in fiscal year 2025, revenue transfers from the State General Fund to the Kansas Educational Building Fund (EBF) and to the State Institutions Building Fund (SIBF).

The transfer amounts would be set at \$41.8 million to the EBF and \$20.9 million to the SIBF in fiscal year 2025 and would be scheduled to increase by 2.0 percent in each future year.

School Finance Levy Residential Exemption

The bill would increase, beginning in tax year 2023, the amount of residential property exempt from the statewide uniform 20 mill school finance levy from \$40,000 to \$65,000 of appraised value.

A formula to increase the amount of the exemption based upon the statewide average increase in residential valuation over the preceding ten years would be delayed in implementation from tax year 2023 to 2024.

Background

The Senate Committee on Assessment and Taxation inserted the contents of SB 94 and SB 97 into SB 138 while retaining the contents of SB 138. Background information for each bill may be found below.

SB 94 (State Building Fund Mill Levies and Transfers)

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Peck.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by Senator Peck, stating the bill would provide property tax relief for all Kansas property owners and replace revenue to building funds with State General Fund (SGF) transfers. Written-only proponent testimony was provided by a representative of the Kansas Association of Realtors.

Opponent testimony was provided by a representative of the State Board of Regents, stating the bill would reduce the stability and certainty of the revenue for the EBF, and the transfer amounts would not replace all lost tax revenue. Written-only opponent testimony was provided by representatives of the American Council of Engineering Companies of Kansas, Associated General Contractors of Kansas, and University Contractors Association of Kansas.

SB 97 (School Finance Levy Residential Exemption)

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Peck.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by Senator Peck, who generally stated the bill would provide widely applicable property tax relief to Kansas homeowners. Written-only proponent testimony was provided by representatives of the Kansas Association of Realtors and Kansas Policy Institute.

Neutral testimony was provided by a representative of United School Administrators of Kansas. Written-only neutral testimony was provided by representatives of the Kansas Association of School Boards and United School Administrators.

SB 138 (Strother Field Airport Property Tax Exemption)

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Alley.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by a representative of Strother Field Airport and a private citizen. Testimony stated that the bill would clarify that Arkansas City and Winfield receive the exemption for Strother Field.

No other testimony was provided.

Fiscal Information

The fiscal information for each bill may be found below.

SB 94 (State Building Fund Mill Levies and Transfers)

According to the fiscal note prepared by the Division of the Budget on the bill, the Department of Revenue estimates enactment of the bill would reduce property and motor vehicle taxes by \$77.1 million in FY 2025, \$80.9 million in FY 2026, and \$85.0 million in FY 2027.

The estimated increase in transfers out of the SGF would be \$62.7 million in FY 2025, \$64.0 million in FY 2026, and \$65.2 million in FY 2027.

The estimated net loss of revenue to the EBF would be \$9.6 million in FY 2025, \$11.3 million in FY 2026, and \$13.2 million in FY 2027. The estimated net loss of revenue to the SIBF would be \$4.8 million in FY 2025, \$5.7 million in FY 2026, and \$6.6 million in FY 2027.

Any fiscal effect associated with the bill is not reflected in *The FY 2024 Governor's Budget Report*.

SB 97 (School Finance Levy Residential Exemption)

According to the fiscal note prepared by the Division of the Budget on the bill, the Department of Revenue indicates enactment of the bill would decrease revenues from the 20 mill school finance levy by \$55.6 million in FY 2024, \$58.8 million in FY 2025, and \$62.3 million in FY 2026. Reduced receipts attributable to this levy would result in commensurate increased required State General Fund expenditures for school finance.

Any fiscal effect associated with the bill is not reflected in *The FY 2024 Governor's Budget Report*.

SB 138 (Strother Field Airport Property Tax Exemption)

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Department of Revenue indicates enactment of the bill would reduce state property taxes by a negligible amount.

The Kansas Association of Counties indicates enactment of the bill would reduce local property taxes by an indeterminate amount. Any fiscal effect associated with the bill is not reflected in *The FY 2024 Governor's Budget Report*.

Taxation; property tax; mill levies; state building funds; transfers; school finance; homestead; exemption; Strother Field; airport