Division of the Budget
Landon State Office Building
900 SW Jackson Street, Room 504
Topeka, KS 66612

Kansas
Division of the Budget

Phone: (785) 296-2436
adam.c.proffitt@ks.gov
http://budget.kansas.gov

Adam C. Proffitt, Director

Laura Kelly, Governor

March 17, 2025

The Honorable Adam Smith, Chairperson
House Committee on Taxation
300 SW 10th Avenue, Room 346-S
Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2080 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2080 is respectfully submitted to your committee.

HB 2080 would cap homestead property taxes to no more than the amount established in the base year for individuals 65 years of age or older or their surviving spouse beginning in tax year 2026. For individuals that turned 65 years of age prior to 2026, the base year would be 2025. If the property or ad valorem taxes that are levied are less than the amount established as the base year amount, the lesser amount would be levied and collected and that amount would be used as the new base year amount for future years. All monies received from taxes levied on the homestead property would be allocated and distributed to the appropriate taxing subdivisions to the proportion of the cumulative tax levies for that property. The Department of Revenue's Division of Property Valuation would be required to make available suitable forms with instructions for claimants. Copies of the forms would also be made available to all county clerks and county treasurers in sufficient numbers to supply claimants residing in their respective counties. The county clerk would have the duty to assist claimants seeking assistance in filing their claim. Claimants would be required to submit their application to the county treasurer by April 1st, who would grant or deny the application.

Enactment of HB 2080 would decrease property tax revenues by adding a new property tax exemption for individuals 65 years of age or older beginning in tax year 2026 of FY 2027. 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 bill would decrease property tax revenues 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; however, the specific estimate of lower local property tax revenues was not calculated by the Department of Revenue. The fiscal effect to state revenues would be as follows:

	FY 2027	FY 2028	FY 2029
School District Finance	($7,760,000)	($15,930,000)	($24,520,000)
EBF	(390,000)	(800,000)	(1,230,000)
SIBF	(195,000)	(400,000)	(615,000)
	($8,345,000)	($17,130,000)	($26,365,000)

To formulate these estimates, the Department of Revenue reviewed data from its Property Valuation Division and the U.S. Census Bureau. The Department assumes that average appraised value of a residential home was $237,314 with an average statewide levy of 127.154 in 2024. Annual property taxes are estimated to increase by 5.21 percent and 79.1 percent of individuals 65 years of age or older own their own homes.

The Board of Regents indicates that the bill has the potential to provide less funding for the EBF that would be used to fund deferred maintenance projects at the state universities. According to the Board, the estimated renewal cost to bring all mission critical buildings to a “state of good repair” is estimated at just over $1.570 billion in FY 2025. The Board estimates that an annual amount of $168.0 million is needed for on-going maintenance to prevent any further backlogs and to adequately maintain university campuses. The Division of the Budget notes that it is unknown if the State General Fund or other state resources would be used in the appropriation process to provide additional funding for projects that were previously funded with EBF dollars.

The bill has the potential to provide less funding to the SIBF. The SIBF is established in the *Kansas Constitution* for constructing, equipping, and repairing buildings at the state institutions for the mentally ill and developmentally disabled overseen by the Department for Aging and Disability Services, the state’s juvenile correctional facility, the Schools for the Deaf and Blind under the Department of Education, as well as the veterans’ homes and cemeteries. *The FY 2026 Governor’s Budget Report* indicates that a number of state agencies depend on monies available in the SIBF for their capital improvement projects. The Division of the Budget notes that it is unknown if the State General Fund or other state resources would be used in the appropriation process to provide additional funding for projects that were previously funded with SIBF dollars.

The Division of the Budget notes that the estimated reduction in revenues from the 20-mill school levy would require an offsetting appropriation for State Foundation Aid from the State General Fund to keep the Base Aid for Student Excellence (BASE) in the school finance formula at $5,762 for FY 2027, as included in *The FY 2026 Governor’s Budget Report*. If this provision of the bill would be enacted without a corresponding increase to the State General Fund appropriation for State Foundation Aid, the Department of Education would have to prorate the BASE by reducing state aid to school districts in FY 2027. The Department of Education indicates the bill would also reduce property taxes collected by local school boards to support capital outlay projects by unknown amounts beginning in FY 2027.

The Department of Revenue indicates that the bill would require $40,765 from the State General Fund in FY 2026 to implement the bill and to modify the automated tax system. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department's current budget may be required. Any fiscal effect associated with HB 2080 is not reflected in *The FY 2026 Governor's Budget Report*.

The Kansas Association of Counties and the League of Kansas Municipalities indicate that the bill by itself would lower local property tax collections that are used in part to finance local governments by providing a new property tax exemption. To offset these decreases, local governments would likely increase property taxes from other taxpayers not receiving this property tax exemption. The Kansas Association of Counties indicates the bill would increase costs by unknown amounts for county clerks to assist claimants seeking assistance in filing their claim and for county treasurers to review applications.

Sincerely,

Adam C. Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Jay Hall, Kansas Association of Counties
Wendi Stark, League of Kansas Municipalities
Gabrielle Hull, Department of Education
Leigh Keck, Department for Aging & Disability Services
Adela Tan, Schools for the Deaf and Blind
Melissa Ford, Office of Veterans Services
Becky Pottebaum, Board of Regents