



March 24, 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 2233 by House Committee on Taxation

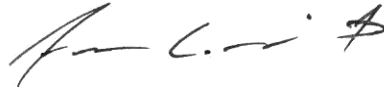
In accordance with KSA 75-3715a, the following fiscal note concerning HB 2233 is respectfully submitted to your committee.

Under current law, any carbon dioxide capture, sequestration, or utilization property is eligible for a five-year property tax exemption; and qualifying equipment can receive a 55.0 percent amortization deduction in its first year of operation, followed by 5.0 percent deductions for the next nine years. HB 2233 would exclude any property that injects animal manure into the ground from qualifying for the five-year property tax exemption and would eliminate accelerated depreciation deductions for machinery and equipment used to inject animal manure into the ground.

The Department of Revenue indicates HB 2233 would increase State General Fund revenues by unknown amounts beginning in FY 2026 from eliminating accelerated depreciation deductions for machinery and equipment used to inject animal manure. The bill has the potential to increase property tax revenues by removing a current property tax exemption. The state funds that would be directly affected by the property tax provisions of the bill are the two building funds, the Educational Building Fund and the State Institutions Building Fund. The bill would increase property tax revenues that school districts receive through the state's uniform mill levy and increase revenues to any local government that levies a property tax. However, the Department of Revenue does not have data to determine how many future projects would no longer be eligible for the property tax exemption and accelerated depreciation to determine the precise estimate of the increase of state and local tax revenue. The bill would have no fiscal effect on the operations of the Department of Revenue. Any fiscal effect associated with HB 2233 is not reflected in *The FY 2026 Governor's Budget Report*.

The Kansas Association of Counties indicates the bill would not have a direct impact on counties and would not change overall property tax collections. Removing a property tax exemption has the potential to broaden the property tax base which would offer relief to other property taxpayers.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", followed by a stylized flourish or symbol.

Adam C. Proffitt
Director of the Budget

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