

January 27, 2026

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 2440 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2440 is respectfully submitted to your committee.

Under current law, owners of oil leases that have an average daily production of three barrels per day or less, and five barrels per day or less for a producing well with a completion depth of 2,000 feet or more, would be exempt from property tax once approved by the Board of Tax Appeals (BOTA). HB 2440 would allow the county appraiser to determine this property tax exemption.

The Department of Revenue estimates that HB 2440 would have no fiscal effect on state and local property tax revenues or oil severance tax revenues. The Department indicates the bill would have no fiscal effect on its operations.

BOTA indicates the bill would eliminate the requirement for it to review and approve property tax exemption requests for low producing oil wells and it would no longer receive the \$400 filing fee associated with each exemption request. BOTA indicates that any cost savings or resources freed up due to a decrease in the attorney and administrative time required to review and approve these property tax exemption requests would be redirected towards decreasing processing speed for other types of exemptions and implementing more involved case management measures for valuation appeals.

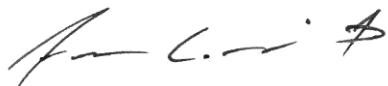
BOTA estimates the bill would reduce revenues to the BOTA Filing Fee Fund by \$368,000 in FY 2027 and in each future fiscal year. To formulate these estimates, BOTA reviewed data on property tax exemption requests for low producing oil wells from FY 2023 through FY 2025.

Property tax exemption requests for low producing oil wells vary from year to year; however, BOTA has processed an average of 920 exemption requests each fiscal year over that time frame. Assuming similar exemption requests in the future, the revenues to the BOTA Filing Fee Fund would be reduced by \$368,000 each fiscal year (\$400 filing fee X 920 exemption requests = \$368,000).

Under current law, cash flow estimates for the BOTA Filing Fee Fund show that the fund will be able to sustain its estimated expenditure obligations through FY 2027. However, out-year estimates suggest a declining ending balance, which may require more of the budget to be funded from the State General Fund. BOTA indicates the reduction of BOTA Filing Fee Fund revenue from this bill would reduce its fee fund balance. For BOTA's current approved budget for FY 2026, the BOTA Filing Fee Fund financed 42.4 percent while the State General Fund financed the remaining 57.6 percent. Most of its budget is for salaries and wages, followed by fixed costs for rent, building maintenance, data connectivity, and other expenses. BOTA indicates that any loss in BOTA Filing Fee Fund revenues would be required to be replaced with an increase to its State General Fund appropriation beginning in FY 2027 to provide adequate funding for its operations.

The League of Kansas Municipalities and the Kansas Association of Counties indicate the bill would have no fiscal effect on local government revenues. The Kansas Association of Counties indicates the bill has the potential to increase workload of county appraisers who would now be responsible for determining the property exemption for low producing oil wells. However, those additional costs are unknown and would vary across the state. With the BOTA application process, counties are required to value using the production until the exemption is granted. The value is often included in the certified value only to be removed after the exemption is approved by BOTA, which could take a few months, or in some cases more than a year. Allowing county appraisers to determine this exemption has the potential to improve the levy calculation process by not including exempted property in the certified value.

Sincerely,



Adam C. Proffitt
Director of the Budget

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