

February 3, 2026

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 320 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 320 is respectfully submitted to your committee.

Under current law, commercial and industrial machinery and equipment that is purchased, leased, or transported into the state after June 30, 2006, as the result of a bona fide transaction not consummated for the purpose of avoiding taxation is exempt from property taxes. SB 320 would expand this exemption to include commercial and industrial machinery and equipment purchased, leased, or transported into the state before June 30, 2006. This property tax exemption would begin in tax year 2026.

The Department of Revenue estimates SB 320 would decrease state and local property tax revenues by expanding the current property tax exemption. The bill would decrease property tax revenues that school districts would receive through the state's uniform mill levy by \$6.8 million in FY 2027. The bill would also decrease revenues to any local government that levies a property tax; however, a specific estimate of the reduction to local property tax revenues was not calculated by the Department of Revenue. The fiscal effect on state revenues would be as follows:

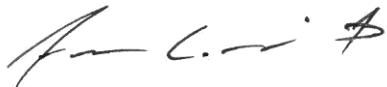
	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
School District Finance	(\$6,500,000)	(\$6,100,000)	(\$5,800,000)	(\$5,500,000)

To formulate these estimates, the Department of Revenue reviewed data from its Property Valuation Division on commercial and industrial machinery and equipment that is currently on the tax roll. The Department indicates that the bill would have a negligible fiscal effect on its operations for minor programming changes to the statewide abstract program.

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 whole. If this 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. Any fiscal effect associated with SB 320 is not reflected in *The FY 2027 Governor's Budget Report*.

The Kansas Association of Counties and the League of Kansas Municipalities indicate that the bill would provide a net reduction to local property tax collections that are used in part to finance local governments. The bill has the potential to shift the tax burden to other property classifications and types.

Sincerely,



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