

May 22, 2017

The Honorable Steven Johnson, Chairperson
House Committee on Taxation
Statehouse, Room 185-N
Topeka, Kansas 66612

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2229 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2229 is respectfully submitted to your committee.

HB 2229 would reclassify certain equipment and material used in operating oil and gas wells or temporarily used at an oil or gas well site as commercial machinery and equipment and would be exempt from property taxes beginning in tax year 2017. In order to qualify for the property tax exemption, the equipment and materials would be required to be used for a specific purpose on an oil and gas well site and could not be attached to the real property.

Enactment of HB 2229 has the potential to decrease property tax revenues by expanding the commercial and industrial machinery and equipment property exemption to include certain equipment and material used in operating oil and gas wells. Assuming that this equipment was acquired after June 30, 2006, the machinery and equipment would fall under the existing commercial and industrial machinery and equipment property tax exemption. The state would receive less property tax revenues to the two state building funds, the Educational Building Fund and the State Institutions Building Fund. The bill would also decrease the amount of 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 Department of Revenue does not have data on the property that would receive a property tax exemption under the provisions of the bill; therefore, an estimate of the amount of decreased property tax revenues and its effect on local and state revenues cannot be estimated.

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The Kansas Association of Counties and the League of Kansas Municipalities indicate that the bill would provide a net decrease to local property tax collections that are used in part to finance local governments. Any fiscal effect associated with HB 2229 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Amy Green, KCC
Larry Baer, League of Municipalities
Lynn Robinson, Department of Revenue
Melissa Wangemann, Association of Counties