

February 23, 2022

The Honorable Jim Kelly, Chairperson  
House Committee on Financial Institutions and Rural Development  
Statehouse, Room 218-N  
Topeka, Kansas 66612

Dear Representative Kelly:

**SUBJECT:** Fiscal Note for HB 2618 by House Committee on Financial Institutions and Rural Development

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2618 is respectfully submitted to your committee.

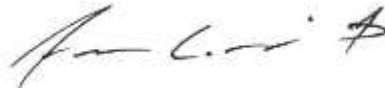
HB 2618 would provide a property tax exemption for property used by any city, county, or township of the state that is leased for the purpose of establishing an incubator for business creation beginning in tax year 2023. Property leased to a business would be exempt from property tax for a period of not more than five calendar years after the year the business begins its operations on the property. After five calendar years, only that portion of the property being used by the business still operating on the property would be subject to property taxes. The property tax exemption would only apply to property used by a city, county, or township that is located in a county with a population of 40,000 or less.

Passage of HB 2618 has the potential to decrease property tax revenues by adding a new 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 HB 2618; therefore, a precise estimate of the amount of decreased property tax revenues and its effect on local and state revenues cannot be estimated. If after the abatement period ends and the portion of the property owned by the city, county, or township is still leased to the business, then that property would be subject to the property tax, which has the potential to increase property tax collection at that time. The Department indicates there are currently 95 counties with a population of less than

40,000 people. The bill would have no fiscal effect on the operations of the Department of Revenue.

The League of Kansas Municipalities and the Kansas Association of Counties indicate that the bill has the potential to increase economic development by establishing an incubator for business creation in counties with a population of less than 40,000 people. After the abatement period ends, the bill has the potential to increase local property tax revenues that are used in part to finance local governments. However, they do not have a basis on which to estimate the amount of property taxes that would be abated or the amount of property taxes that could be collected after the abatement period ends to make a precise estimate of the fiscal effect on local governments.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt  
Director of the Budget

cc: Lynn Robinson, Department of Revenue  
Craig Neuenswander, Education  
Wendi Stark, League of Municipalities  
Jay Hall, Association of Counties