

February 27, 2023

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 2231 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2231 is respectfully submitted to your committee.

HB 2231 would provide a property tax exemption for residential property that is also used as a day care facility licensed by the Kansas Department of Health and Environment (KDHE). The property tax exemption would begin in tax year 2024.

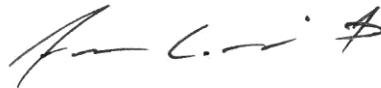
Passage of HB 2231 would decrease property tax revenues by adding a new property tax exemption. The state funds directly affected by this bill are the two building funds, the Educational Building Fund (EBF) and the State Institutions Building Fund (SIBF). The Department of Revenue estimates this bill would decrease revenues to these two funds by \$59,170 in FY 2025, with \$39,447 from the EBF and \$19,723 from the SIBF. Less property tax revenue would also affect state expenditures for aid to school districts. To the extent that less property tax revenue would be available from the state's uniform mill levy to fund expenditures for school districts, the state would be required to provide an additional \$788,938 in state aid from the State General Fund through the school finance formula in FY 2025. Local governments that levy a property tax would also receive less revenue; however, the amount of reduced property tax revenues was not estimated. The fiscal effect to state revenues would be as follows:

	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
School District Finance	\$788,938	\$836,275	\$886,451
EBF	39,447	41,814	44,323
SIBF	<u>19,723</u>	<u>20,907</u>	<u>22,161</u>
	\$848,108	\$898,996	\$952,935

To formulate these estimates, the Department of Revenue reviewed data on family day care homes from Childcare Aware of Kansas. The Department estimates that there are 3,219 family day care homes in 2022. Calculations are based on the assumptions that the median single family home value of family day care home is \$160,000, average annual property tax increase is 6.0 percent, and 66.6 percent of family day care homes are run by the homeowner. The Department indicates the bill would have fiscal effect on its operations. Any fiscal effect associated with HB 2231 is not reflected in *The FY 2024 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.

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, Department of Education  
Jay Hall, Kansas Association of Counties  
Wendi Stark, League of Kansas Municipalities