

February 20, 2024

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 2520 by Representative V. Miller, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2520 is respectfully submitted to your committee.

Under current law, \$47,031 of a residential property's appraised valuation is estimated to be exempt from the state's 20-mill property tax for public schools in tax year 2025, with the statutory increase of the exemption based upon the ten-year average percentage change in statewide valuation of all residential real property. HB 2520 would increase the exemption to \$100,000 in tax year 2025 and would allow for future exemption increases based on the ten-year average change in residential property values beginning in tax year 2026.

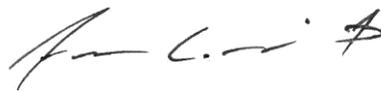
The Department of Revenue estimates that increasing the residential property tax exemption from the state's 20-mill property tax for public schools from \$47,031 to \$100,000 would result in a reduction of property tax revenues generated from the 20-mill school levy totaling \$79,770,000 in FY 2026, \$84,150,000 in FY 2027, and \$88,760,000 in FY 2028.

To formulate these estimates, the Department of Revenue reviewed residential property tax valuation data from its Property Valuation Division. The bill would increase the maximum exemption from \$108.17 to \$230 in tax year 2025. Approximately 1,061,210 parcels, including residential single family, multi-family and manufactured homes receive the partial residential exemption. It is estimated that 350,351 residential parcels had an appraised value below \$100,000 in 2023. The fiscal note assumes property valuation will increase by 5.21 percent each year. The Department of Revenue's Property Valuation Division would be required to update forms and related documents. The Department indicates that these costs are estimated to be negligible and could be absorbed within existing resources.

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 at \$5,623 for FY 2026, as included in *The FY 2025 Governor's Budget Report*. If this provision of the 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 2026. The fiscal effect associated with HB 2520 is partially reflected in *The FY 2025 Governor's Budget Report* which includes moving this exemption to \$100,000 in tax year 2024 but would eliminate future exemption increases based on the ten-year average change in residential property values beginning in tax year 2025.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", followed by a stylized flourish or symbol.

Adam C. Proffitt
Director of the Budget

cc: Gabrielle Hull, Department of Education
Lynn Robinson, Department of Revenue