

February 4, 2008

The Honorable Barbara Allen, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 122-E
Topeka, Kansas 66612

Dear Senator Allen:

SUBJECT: Fiscal Note for SB 510 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 510 is respectfully submitted to your committee.

SB 510 would amend the definition of “farm machinery and equipment” in regard to property tax exemptions to include any bed or box that is attached to a motor vehicle which is actually and regularly used in a farming or ranching operation.

The enactment of SB 510 would reduce property tax revenues by expanding the definition of a current 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 bill would also have an effect on state expenditures for aid to school districts. To the extent that school districts receive reduced property tax revenue through the state’s uniform mill levy, the state provides more state aid through the school finance formula.

The Department of Revenue indicates that some counties have already exempted this type of property as farm machinery and equipment, while other counties have not. The agency also states that most counties are exempting this type of property if it is purchased after June 30, 2006, under the commercial and industrial machinery equipment exemption. The Department does not know the total value of this type of property that is currently being taxed, given the discrepancy in how counties are taxing the equipment, and therefore, it cannot estimate the fiscal effect of this bill. However, the Department believes any reduction in revenues to the EBF and SIBF and any additional aid to school districts resulting from the implementation of SB 510 would be negligible.

Sincerely,



Duane A. Goossen
Director of the Budget

cc: Steve Neske, Revenue