

March 14, 2022

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 548-S
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 554 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 554 is respectfully submitted to your committee.

SB 554 would expand the definition of “land devoted to agricultural use” for property tax classification purposes to include certain zoos and certain land used for agritourism activity. To qualify for this property tax classification, land that is utilized by zoos would be required to hold a valid class C exhibitor license issued by the U.S. Department of Agriculture. Land otherwise devoted to the production of plants, animals, or horticultural products that is incidentally used for agritourism activity would qualify for this property tax classification. The bill also changes references from the U.S. Department of Agriculture Soil Conservation Service to the U.S. Department of Agriculture Natural Resources Conservation Service.

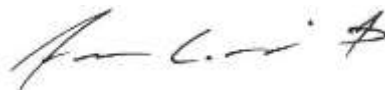
The Department of Revenue indicates SB 554 would change the classification of property from commercial to land devoted to agricultural use and would change the valuation methodology from market value to use value, resulting in a decrease in total appraised and assessed value. For land utilized by zoos, the U.S. Department of Agriculture shows 29 Kansas properties hold a valid class C exhibitor license, with 19 currently exempt from property tax. For the properties with a commercial classification, it is estimated the reclassification and revaluation would result in a decrease of state and local property tax revenues. 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 \$1,380 in FY 2023, with \$920 from the EBF and \$460 from the SIBF. The bill would decrease property tax revenues by \$18,370 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.

For agritourism activities, the Department of Commerce reports 421 properties are registered as an agritourism operation. The Department of Revenue indicates that the majority of land that is devoted to the production of plants, animals, or horticultural products that is incidentally used for agritourism activity is already classified as land devoted to agricultural use for property tax classification purposes, so this provision would likely reduce state and local property tax revenues by negligible amounts.

The Department of Revenue's Property Valuation Division (PVD) indicates that would be required to provide agricultural land values for zoos because that information is not currently covered by the U.S. Department of Agriculture Natural Resources conservation service classification system. PVD would provide assistance to county appraisers for determining the appropriate use of the land and production type, within the agricultural classification for land devoted to agricultural use. PVD indicates that the administrative costs associated with implementing the provisions of the bill would be negligible and could be absorbed within existing resources.

The League of Kansas Municipalities and Kansas Association of Counties indicate that the bill would have the potential provide a net decrease to local property tax collections that are used in part to finance local governments. Any fiscal effect associated with SB 554 is not reflected in *The FY 2023 Governor's Budget Report*.

Sincerely,



Adam Proffitt
Director of the Budget

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