

SESSION OF 2005

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2204

As Recommended by House Committee on
Health and Human Services

Brief*

HB 2204 would amend a sales tax statute to create a retail sales tax exemption for membership and initiation fees charged by health and fitness organizations and businesses. Entities that would no longer be required to collect sales tax would be organizations and businesses whose primary purpose is to provide facilities, equipment, instruction, or education to promote the health and fitness of their members.

Background

HB 2204 was introduced by the House Committee on Health and Human Services and was supported by members of the Kansas Health and Fitness Association and health club owners and an individual with a health club membership. The bill was referred separately to the House Committee on Health and Human Services to discuss the policy implications and to the Taxation Committee.

The portion of the statute that would be amended by the bill exempts from sales tax those fees and charges for participation in recreational activities imposed by local governments, organizations that are exempt from property tax by virtue of providing humanitarian services as outlined in KSA 79-201, and nonprofit youth organizations.

The fiscal note prepared by the Division of the Budget indicates that passage of the bill would result in a decrease of \$1.8 million in sales tax revenue in FY 2006. Of that amount, the State General Fund is estimated to decrease by \$1,715,000, while the State Highway Fund would decrease by an estimated \$85,000. The Department of Revenue

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

estimates that it would be able to absorb an estimated \$17,575 cost for revisions to one of its publications and notice of change to retailers. The fiscal note also states that any required modifications to the automated tax system attributable to this bill could be absorbed within existing resources. Finally, the fiscal note indicates that any fiscal effect associated with HB 2204 is not reflected in *The FY 2006 Governor's Budget Report*.