

January 30, 2025

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 3098 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2098 is respectfully submitted to your committee.

HB 2098 would provide a sales tax exemption for any non-profit theater that creates and produces novel works for concerts or productions; employs a full-time theater staff; has a board of directors; is dedicated to providing a strong educational commitment to its local community; and is committed to providing ongoing live theater as an art form using available local resources. The sales tax exemption would become effective on July 1, 2025.

Estimated State Fiscal Effect			
	FY 2025	FY 2026	FY 2027
Expenditures			
State General Fund	--	\$1,340	--
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Expenditures	--	\$1,340	--
Revenues			
State General Fund	--	(\$139,000)	(\$139,000)
Fee Fund(s)	--	(30,500)	(30,500)
Federal Fund	--	--	--
Total Revenues	--	(\$169,500)	(\$169,500)
FTE Positions	--	--	--

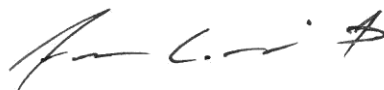
The Department of Revenue estimates that HB 2098 would reduce state revenues by \$169,500 in FY 2026. Of this amount, State General Fund revenues are estimated to decrease by \$139,000, while State Highway Fund revenues are estimated to decrease by \$30,500. The bill is also estimated to decrease local revenues by \$60,500 in FY 2026. The Department indicates that similar results would also occur in future fiscal years.

To formulate these estimates, the Department of Revenue reviewed sales tax collection data from the six non-profit theaters that have been identified statewide that meet the criteria outlined in the bill. According to the Department of Revenue, reissuing sales tax publications and issuing tax entity exemption certificates would cost \$1,340 from the State General Fund in FY 2026.

The Kansas Department of Transportation indicates that the bill would reduce state revenues to the State Highway Fund, as noted above. Any fiscal effect associated with HB 2098 is not reflected in *The FY 2026 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 sales tax collections that are used in part to finance local governments. The bill also has the potential to reduce revenues that are pledged to repay STAR bond projects; however, it is unknown what impact this bill would have on the viability of those projects.

Sincerely,



Adam C. Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Brendan Yorkey, Department of Transportation
Jay Hall, Kansas Association of Counties
Wendi Stark, League of Kansas Municipalities