



February 20, 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 2126 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2126 is respectfully submitted to your committee.

HB 2126 would provide a sales tax exemption to Kansas Legal Services, a nonprofit organization, for the purpose of helping low-income Kansans meet their basic needs through the provision of legal and mediation services. The bill would take effect on July 1, 2025.

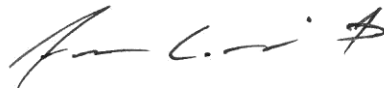
Estimated State Fiscal Effect			
	FY 2025	FY 2026	FY 2027
Expenditures			
State General Fund	--	\$1,340	--
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Expenditures	--	\$1,340	--
Revenues			
State General Fund	--	(\$24,000)	(\$24,000)
Fee Fund(s)	--	(5,000)	(5,000)
Federal Fund	--	--	--
Total Revenues	--	(\$29,000)	(\$29,000)
FTE Positions	--	--	--

The Department of Revenue estimates that enactment of HB 2126 would reduce state revenues by \$29,000 in FY 2026 and each subsequent fiscal year. Of this amount, State General Fund revenues are expected to decrease by \$24,000 each fiscal year, while State Highway Fund revenues are expected to decrease by \$5,000 each fiscal year. Additionally, the Department estimates that the bill would reduce local sales tax collections by \$11,000 per fiscal year. To formulate these estimates, the Department reviewed data from Kansas Legal Services, which reports 13 locations across the state.

The Department of Revenue indicates that reissuing sales tax publications and revising forms would cost \$1,340 from the State General Fund in FY 2026. The Kansas Department of Transportation indicates that the bill would reduce State Highway Fund revenues as noted above. Any fiscal effect associated with HB 2126 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,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", with a stylized flourish at the end.

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