



April 29, 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 2277 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2277 is respectfully submitted to your committee.

HB 2277 would include prepared food in the 0.0 percent state sales tax rate for food and food ingredients. The bill would also increase the percentage of sales and compensating use tax receipts transferred to the State Highway Fund from 18.0 percent to 19.736 percent.

Estimated State Fiscal Effect			
	FY 2025	FY 2026	FY 2027
Expenditures			
State General Fund	--	\$2,680	--
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Expenditures	--	\$2,680	--
Revenues			
State General Fund	--	(\$302,300,000)	(\$326,800,000)
Fee Fund(s)	--	17,200,000	12,700,000
Federal Fund	--	--	--
Total Revenues	--	(\$285,100,000)	(\$314,100,000)
FTE Positions	--	--	--

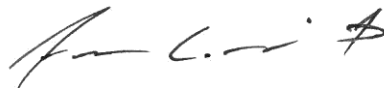
The Department of Revenue estimates that HB 2277 would reduce state revenues by \$285.1 million in FY 2026. Of this amount, State General Fund revenues are estimated to decrease by \$302.3 million, while State Highway Fund revenues are estimated to increase by \$17.2 million. The fiscal effect to state revenues in subsequent years would be as follows:

	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
State General Fund	(\$326,800,000)	(\$330,500,000)	(\$334,300,000)	(\$338,200,000)
State Highway Fund	<u>12,700,000</u>	<u>13,300,000</u>	<u>13,900,000</u>	<u>14,600,000</u>
	(\$314,100,000)	(\$317,200,000)	(\$320,400,000)	(\$323,600,000)

The Department's estimates are based on the November 2024 Consensus Revenue Estimates and assume collections from sales of prepared food account for 10.0 percent of sales tax revenues. The Department notes that the FY 2026 estimate includes a one-month collections lag. The Department of Transportation indicates the bill would increase State Highway Fund revenues as noted above. Any fiscal effect associated with HB 2277 is not reflected in *The FY 2026 Governor's Budget Report*.

The Kansas Association of Counties indicates the bill would have no fiscal effect on county governments. The League of Kansas Municipalities indicates the bill 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
Jay Hall, Kansas Association of Counties
Wendi Stark, League of Kansas Municipalities
Brendan Yorkey, Department of Transportation