

March 24, 2026

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 2776 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2776 is respectfully submitted to your committee.

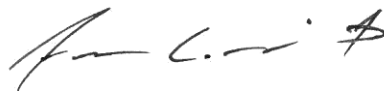
HB 2776 would provide a sales tax exemption for nonprofit organizations that serve students of United States military academies, alumni of the academies, and families of students and alumni. The exemption would apply to purchases of tangible personal property and services for the purpose of improving and enhancing the lives of students and families of students. There are five United States military academies in Kansas, representing the Army, Navy, Air Force, Merchant Marines, and Coast Guard.

The Department of Revenue estimates that enactment of HB 2776 would decrease state revenues by \$7,000 in FY 2027. Of that total, State General Fund revenues are estimated to decrease by \$5,700, while State Highway Fund revenues are estimated to decrease by \$1,300. The Department also estimates that enactment of the bill would decrease local sales tax revenues by approximately \$3,000 per year. To formulate these estimates, the Department reviewed data from the Kansas affiliations of parents clubs for the military academies, which indicate that approximately \$7,000 in state sales tax and \$3,000 in local sales tax is spent annually providing support to Kansas students attending the academies. The Department estimates that annual revenues would remain at or slightly above these levels in FY 2028 and subsequent years. According to the Department of Revenue, revising sales tax publications and forms would cost \$1,340 from the State General Fund in FY 2027.

The Kansas Department of Transportation indicates that enactment of the bill would decrease State Highway Fund revenues as noted above. Any fiscal effect associated with HB 2776 is not reflected in *The FY 2027 Governor's Budget Report*.

The League of Kansas Municipalities indicates that enactment of the bill would decrease local sales tax revenues collected by cities. The Kansas Association of Counties indicates that the bill would decrease local sales tax revenues in counties where the affected organizations make purchases. However, neither organization was able to provide an estimate of the fiscal effect on local governments.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", followed by a stylized flourish.

Adam C. Proffitt
Director of the Budget

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