

April 17, 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 2796 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2796 is respectfully submitted to your committee.

HB 2796 would provide, beginning July 1, 2028, a sales tax exemption for all purchases and sales of tangible personal property and services made by organizations registered as Internal Revenue Code Section 501(c)(3) exempt entities. Organizations claiming the exemption would be required to register with the Department of Revenue for an exemption certificate. A \$100 fee, deposited in the State General Fund, would be required for each registration and re-registration. The bill would take effect on July 1, 2026.

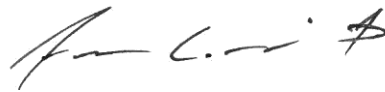
The Department of Revenue estimates that enactment of HB 2796 would increase State General Fund revenues by \$400,000 in FY 2028 from registration fees, assuming the Department is able to issue approximately half of the estimated exemption certificates prior to the July 1, 2028, effective date of the exemption. Beginning in FY 2029, enactment of the bill would decrease total state sales tax revenues by \$38.0 million, of which State General Fund revenues would decrease by \$31.2 million and State Highway Fund revenues would decrease by \$6.8 million. The FY 2029 State General Fund figure reflects a one-month lag on the reduction in sales tax receipts, offset by an estimated \$400,000 in State General Fund receipts from registration fees. The fiscal effect to state revenues during subsequent years would be as follows:

	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
State General Fund	(\$31,200,000)	(\$34,000,000)	(\$34,400,000)
State Highway Fund	<u>(6,800,000)</u>	<u>(7,500,000)</u>	<u>(7,500,000)</u>
	(\$38,000,000)	(\$41,500,000)	(\$41,900,000)

To formulate these estimates, the Department of Revenue notes there are approximately 8,000 nonprofit 501(c)(3) entities in Kansas that do not currently have a sales tax exemption. The estimates are based on Internal Revenue Service data and currently issued exemption certificates. The Department of Transportation indicates that enactment of the bill would decrease State Highway Fund revenues as noted above. Any fiscal effect associated with HB 2796 is not reflected in *The FY 2027 Governor's Budget Report*.

The League of Kansas Municipalities and the Kansas Association of Counties indicate that enactment of the bill would decrease local sales tax revenues collected by cities and counties. The League of Kansas Municipalities further indicates that the bill would decrease revenues pledged to repay STAR bond projects, which could affect the viability of those projects. However, neither organization was able to provide a specific 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 or symbol.

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