

February 20, 2025

The Honorable Caryn Tyson, Chairperson  
Senate Committee on Assessment and Taxation  
300 SW 10th Avenue, Room 548-S  
Topeka, Kansas 66612

Dear Senator Tyson:

**SUBJECT:** Fiscal Note for SB 107 by Senate Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning SB 107 is respectfully submitted to your committee.

SB 107 would provide a sales tax exemption for disposable and reusable period products, diapers, and incontinence products, beginning on July 1, 2025. The bill includes definitions for period products, diapers, and incontinence products.

Estimated State Fiscal Effect			
	FY 2025	FY 2026	FY 2027
<b>Expenditures</b>			
State General Fund	--	\$1,340	--
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Expenditures	--	\$1,340	--
<b>Revenues</b>			
State General Fund	--	(\$6,600,000)	(\$7,100,000)
Fee Fund(s)	--	(1,400,000)	(1,500,000)
Federal Fund	--	--	--
Total Revenues	--	(\$8,000,000)	(\$8,600,000)
FTE Positions	--	--	--

The Department of Revenue estimates that SB 107 would decrease state revenues by \$8.0 million in FY 2026. Of that total, State General Fund revenues are estimated to decrease by \$6.6 million, while State Highway Fund revenues are estimated to decrease by \$1.4 million. The Department notes that its FY 2026 estimate reflects a one-month lag in collections that occurs whenever a sales tax change is implemented. The bill is expected to decrease local sales tax revenues; however, a specific estimate of this reduction was not calculated by the Department of Revenue. The fiscal effect to state revenues during subsequent years would be as follows:

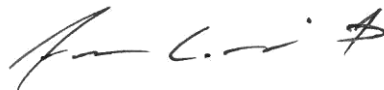
	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
State General Fund	(\$7,100,000)	(\$7,000,000)	(\$7,000,000)	(\$7,000,000)
State Highway Fund	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>(1,500,000)</u>
	(\$8,600,000)	(\$8,500,000)	(\$8,500,000)	(\$8,500,000)

To formulate these estimates, the Department of Revenue reviewed data from the U.S. Bureau of Labor Statistics Consumer Expenditure Survey and the Kansas Department of Health and Environment. According to the Department of Revenue, reissuing sales tax publications and revising forms would cost \$1,340 from the State General Fund in FY 2026.

The Kansas Department of Transportation (KDOT) indicates that the bill would reduce state revenues to the State Highway Fund as noted above. KDOT indicates that when the state receives fewer State Highway Fund dollars, it may be required to make corresponding reductions to planned expenditures for projects funded under the comprehensive transportation plan. Any fiscal effect associated with SB 107 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  
Jay Hall, Kansas Association of Counties  
Wendi Stark, League of Kansas Municipalities  
Brendan Yorkey, Department of Transportation