

February 18, 2026

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 490 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 490 is respectfully submitted to your committee.

SB 490 would allow a city or county to impose a community improvement district (CID) privilege tax on sales of alcoholic beverages, food and food ingredients, and tobacco sold within the district. Each city or county would be able to impose the CID privilege tax of up to 1.0 percent in increments of 0.10 percent or 0.25 percent. The revenue would be pledged to pay for CID project costs. The tax would expire once the bonds have been paid off or if pay-as-you-go financing was used to finance the projects, then the tax would expire in 22 years. The Department of Revenue is authorized to retain 2.0 percent of CID privilege tax collections up to \$50,000 per fiscal year that would be deposited in the newly created Community Improvement District Privilege Tax Administration Fund. This fund would be used to defray the expenses of the Department in the administration and enforcement of collecting the CID privilege tax

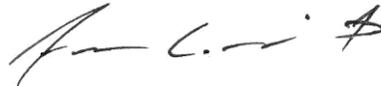
The Department of Revenue estimates that SB 490 would increase local revenues by unknown amounts beginning in FY 2027. The Department also indicates that implementing a privilege tax on items that are subject to the retail sales tax and compensating use tax has the potential to place Kansas out of compliance with the Streamlined Sales and Use Tax Agreement. The Department estimates that more than \$100.0 million in revenues annually could be at risk and may no longer be received if Kansas loses its member status, as other members would no longer be contractually required to remit retail sales and compensating use taxes to Kansas.

The Department indicates that implementation of the bill would require \$405,040 from the State General Fund in FY 2027. A new tax type would need to be created, including creating new

forms and publications, updating existing forms and publications, creating new accounting procedures and tracking, and IT programming and testing. The bill would allow the Department to retain 2.0 percent of collections, up to \$50,000 per fiscal year for administration costs. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department's current budget may be required. Any fiscal effect associated with SB 490 is not reflected in *The FY 2027 Governor's Budget Report*.

The League of Kansas Municipalities and the Kansas Association of Counties indicate the bill would allow local governments to raise revenue that would be pledged to pay for CID project costs. However, the League and the Association indicate that the amount of the increase cannot be estimated because it is unknown how many local governments would implement a CID privilege tax or what rate would be imposed.

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
Wendi Stark, League of Kansas Municipalities
Bruce Chladny, Kansas Association of Counties