

SESSION OF 2011

SUPPLEMENTAL NOTE ON SENATE BILL NO. 177

As Recommended by Senate Committee on
Assessment and Taxation

Brief*

SB 177 would establish a three-year statute of limitations for taxpayers to claim sales tax exemptions. Refunds are limited to one year under current law. The bill would extend the limitation retroactively upon enactment, thus making eligible certain exemption claims that would currently be ineligible.

Background

The Department of Revenue, the only conferee on the bill, testified that restricting sales tax exemptions from a three-year window to a one-year window in 2009 created an unfavorable situation for both the state and taxpayers. The reduced time period led to less thoroughly documented exemption claims, making the claims more difficult to process. The reduced time period had minimal effect on the total amount of sales tax exempted, particularly among large firms with hired tax consultants.

The fiscal note prepared by the Division of the Budget indicates that, because there was minimal impact when the eligible time period was reduced, the effect of extending it would likely be negligible. However, the potential would exist for the extended time period to allow taxpayers to identify more exemptions that would reduce revenue. The administrative cost of the bill in FY 2012 is estimated to be \$28,200, all from the State General Fund.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>