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House Committee on Taxation

Testimony in Support of House Bill 2498

by Richard Cram

Chairman Marvin Kleebe and Members of the Committee:

House Bill 2498 would amend K.S.A. 12-6a31 to remove the current \$60,000/fiscal year cap on the amount of administrative fees that the Department is authorized to retain in the community improvement district sales tax administration fund from community improvement district sales tax distributions. Under that statute, the Department is allowed to retain 2% of those distributions in the community improvement district sales tax administration fund, up to a total \$60,000 per fiscal year, to defray the expenses of the Department in administration and enforcement of collection of this tax. This represents 1 FTE to administer this program. The Department currently utilizes approximately 2.5 FTE to administer this program. The total number of community improvement districts has grown to 71, and will continue to grow, as this program is very popular with municipalities and developers. This expected growth will continue to add to the Department's administrative expenses. Until the \$60,000 current statutory cap is reached each fiscal year, the Department must make complex calculations for each district distribution, in order to properly and proportionally allocate the administrative fee among the districts. Elimination of the \$60,000 cap will simplify the distribution process as well as increase the amount that the Department can retain to cover its rising costs to administer this expanding program. Based on current processing, elimination of the \$60,000 cap would increase the amount that the Department can retain from the community improvement district sales tax administration fund for FY 17 from the \$60,000 to approximately \$160,000, which should adequately cover the Department's administrative costs incurred. In CY 2015, the Department distributed a total of \$7.81 million in community improvement district sales taxes.

The community improvement district local sales tax provisions were enacted in 2009, and provide authority to municipalities to set up local districts in which a local sales tax is imposed on sales by retail businesses located within those districts, in order to fund the costs for commercial development or redevelopment projects.

The Department sought introduction in the Senate of the contents of this bill last year as Senate Bill 29, which passed the Senate 35 Yea to 5 Nay, although that bill did not advance further in the House.

The Department respectfully requests that the Committee pass out House Bill 2498 favorably.