

March 6, 2015

The Honorable Marvin KleeB, Chairperson
House Committee on Taxation
Statehouse, Room 185-N
Topeka, Kansas 66612

Dear Representative KleeB:

SUBJECT: Fiscal Note for HB 2361 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2361 is respectfully submitted to your committee.

HB 2361 would provide a sales tax exemption for Concern, Inc., for the purpose of operating a food pantry for families in need. The bill would exempt from sales tax all purchases of tangible personal property and services made by or on behalf of Concern, Inc.

The bill would allow the Bourbon County Commission to submit to voters the question of imposing up to an additional 1.0 percent countywide sales tax for the purpose of financing the costs of constructing, furnishing, and operating a law enforcement center or jail facility. The additional countywide sales tax would be permanent.

Estimated State Fiscal Effect				
	FY 2015 SGF	FY 2015 All Funds	FY 2016 SGF	FY 2016 All Funds
Revenue	--	--	(\$125)	(\$150)
Expenditure	--	--	\$2,400	\$2,400
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2361 would decrease state revenues by \$150 in FY 2016. Of that total, the State General Fund is estimated to decrease by \$125, while the State Highway Fund is estimated to decrease by \$25 in FY 2016. Issuing a sales tax exemption for Concern, Inc. would have a negligible fiscal effect on local sales tax collections. The Department of Revenue indicates that allowing Bourbon County to increase its countywide sales by 1.0 percent would affect only local sales tax collections in Bourbon County and would

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have no fiscal effect on state revenues. The fiscal effect to state revenues during subsequent years would be as follows:

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
State General Fund	(\$130)	(\$134)	(\$139)	(\$145)
State Highway Fund	<u>(26)</u>	<u>(27)</u>	<u>(28)</u>	<u>(29)</u>
	(\$156)	(\$161)	(\$167)	(\$174)

According to the Department of Revenue, reissuing sales tax publications and issuing the tax entity exemption certificate would cost \$2,400 from the State General Fund in FY 2016.

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 lower State Highway Fund dollars it may be required to make corresponding reductions to planned expenditures for projects funded under the comprehensive transportation plan, known as T-WORKS.

The Kansas Association of Counties and the League of Kansas Municipalities indicate that providing a sales tax exemption would provide a net reduction to local sales tax collections that are used in part to finance local governments. Allowing Bourbon County to increase its countywide sales by 1.0 percent would allow Bourbon County to provide funding for a new law enforcement center or jail facility. Any fiscal effect associated with HB 2361 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: Jack Smith, KDOR
Melissa Wangemann, KAC
Larry Baer, LKM
Ben Cleaves, KDOT