

February 26, 2015

The Honorable Les Donovan, Sr., Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Donovan:

SUBJECT: Fiscal Note for SB 135 by Senator Love

In accordance with KSA 75-3715a, the following fiscal note concerning SB 135 is respectfully submitted to your committee.

SB 135 would allow cities the ability to pass an ordinance to exempt aviation fuel from city sales tax. The bill allows the ordinance to be subject to a 30 days protest petition. If the protest petition is valid, then an election would be called to allow the voters to decide on the ordinance.

Estimated State Fiscal Effect				
	FY 2015 SGF	FY 2015 All Funds	FY 2016 SGF	FY 2016 All Funds
Revenue	--	--	--	--
Expenditure	--	--	\$165,600	\$165,600
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 135 would have no fiscal effect of state revenues. The bill would decrease local sales tax revenues for any city that decides to exempt aviation fuel from city sales tax. However, the Department does not have information on the number of cities that would decide to exempt city sales tax to determine the precise fiscal effect. The Department notes that generally the Streamlined Sales Tax Agreement does not allow for separate tax bases between local and state taxes; however, the Streamlined Sales Tax Agreement provides an exception for aviation fuel.

The Department indicates that the bill would require \$165,600 from the State General Fund in FY 2016 to implement the bill and to modify the sales tax processing system. Currently,

the tax bases of the state, city, and county are identical, with the exception of certain utilities, which are subject to local tax, but not state tax. This bill would require the creation of specialized city taxing jurisdictions. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. However, 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, expenditures for outside contract programmer services beyond the Department's current budget may be required.

The League of Kansas Municipalities indicates that the bill would provide a reduction to local sales tax collections for any city that decides to exempt aviation fuel from city sales tax. However, the League does not have information on the number of cities that would decide to exempt city sales tax to determine the precise fiscal effect. Any fiscal effect associated with SB 135 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Jack Smith, Department of Revenue
Larry Baer, League of Municipalities