

March 24, 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 291 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 291 is respectfully submitted to your committee.

SB 291 would provide a sales tax exemption for Hope Ranch for Women Inc., for the purpose of providing residential shelter, therapy, and mentoring services for survivors of sexual exploitation and human trafficking. The bill would exempt from sales tax all sales and purchases of tangible personal property and services made by or on behalf of the Hope Ranch for Women Inc. The sales tax exemption would also be extended to any contractor hired for the construction, maintenance, repairing, enlarging, furnishing, or remodeling of facilities used for the operation of the Hope Ranch for Women Inc. The bill includes reporting requirements for contractors and penalties for the use of the sales tax exemption that are determined to not be part of this project which would be punishable as a misdemeanor.

Estimated State Fiscal Effect				
	FY 2015 SGF	FY 2015 All Funds	FY 2016 SGF	FY 2016 All Funds
Revenue	--	--	(\$15,300)	(\$18,450)
Expenditure	--	--	\$2,400	\$2,400
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 291 would decrease state revenues by \$18,450 in FY 2016. Of that total, the State General Fund is estimated to decrease by \$15,300 while the State Highway Fund is estimated to decrease by \$3,510 in FY 2016. This bill also is estimated to decrease local sales tax revenues by \$4,613 in FY 2016. The fiscal effect to state and local revenues during subsequent years would be as follows:

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	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
State General Fund	(\$15,874)	(\$16,469)	(\$17,087)	(\$17,727)
State Highway Fund	(3,268)	(3,391)	(3,518)	(3,650)
Local Governments	<u>(4,786)</u>	<u>(4,965)</u>	<u>(5,151)</u>	<u>(5,344)</u>
	(\$23,928)	(\$24,825)	(\$25,756)	(\$26,721)

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 the bill would provide a net reduction to local sales tax collections that are used in part to finance local governments. Any fiscal effect associated with SB 291 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,  
Director of the Budget

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