

March 21, 2017

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

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2390 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2390 is respectfully submitted to your committee.

HB 2390 would remove the existing sales tax exemption for the fees and charges to participation in sports, games, and recreational activities that are operated by a non-profit organization beginning on July 1, 2017. The bill would also require sales taxes to be collected on the sales of memberships to government operated facilities that provide recreation or entertainment.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	\$2,310,000	\$2,750,000	\$2,330,000	\$2,780,000
Expenditure	\$1,200	\$1,200	--	--
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2390 would increase state revenues by \$2,750,000 in FY 2018 and by \$2,780,000 in FY 2019. Of those totals, the State General Fund is estimated to increase by \$2,310,000 in FY 2018 and by \$2,330,000 in FY 2019, while the State Highway Fund is estimated to increase by \$440,000 in FY 2018 and by \$450,000 in FY 2019. This bill also is estimated to increase local revenues by approximately \$690,000 in both FY 2018 and FY 2019. According to the Department, reissuing sales tax publications, revising exemption certificates, and notifying organizations would cost \$1,200 from the State General Fund in FY 2018.

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The Kansas Department of Transportation (KDOT) indicates that the bill would increase state revenues to the State Highway Fund as noted above. KDOT indicates the bill would provide additional funding for the comprehensive transportation plan, known as T-WORKS.

The Kansas Association of Counties and the League of Kansas Municipalities indicate the bill has the potential to increase local sales tax collections that are used in part to finance local governments by removing a current sales tax exemption. However, it is unknown if requiring sales taxes to be collected on membership fees at recreation or entertainment facilities that are owned by local governments would reduce the utilization of these facilities or could reduce membership fee revenue. Any fiscal effect associated with HB 2390 is not reflected in *The FY 2018 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: Lynn Robinson, Department of Revenue
Ben Cleeves, Transportation
Larry Baer, League of Municipalities
Melissa Wangemann, Association of Counties