

# STATE OF KANSAS

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GOVERNOR JEFF COLYER, M.D.  
LARRY L. CAMPBELL, CHIEF BUDGET OFFICER

February 7, 2018

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

Dear Representative Johnson:

**SUBJECT:** Fiscal Note for HB 2607 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2607 is respectfully submitted to your committee.

HB 2607 would provide a sales tax exemption for all purchases of tangible personal property and services made by the Stafford County Economic Development, Inc., for the purpose of constructing and equipping a grocery store that includes a pharmacy and a fuel center in St. John, Kansas. The sales tax exemption would also be extended to any contractor hired for constructing and equipping the grocery store, pharmacy, and fuel center. The bill includes reporting requirements for contractors and penalties for the use of the sales tax exemption that is determined to not be part of this project which would be punishable as a misdemeanor. The sales tax exemption would be applied retroactively to begin on January 1, 2018.

| Estimated State Fiscal Effect |                |                      |                |                      |
|-------------------------------|----------------|----------------------|----------------|----------------------|
|                               | FY 2018<br>SGF | FY 2018<br>All Funds | FY 2019<br>SGF | FY 2019<br>All Funds |
| Revenue                       | --             | --                   | (\$160,300)    | (\$191,200)          |
| Expenditure                   | --             | --                   | \$1,200        | \$1,200              |
| FTE Pos.                      | --             | --                   | --             | --                   |

The Department of Revenue estimates that HB 2607 would decrease state revenues by \$191,200 in FY 2019. Of that total, the State General Fund is estimated to decrease by \$160,300 while the State Highway Fund is estimated to decrease by \$30,900 in FY 2019. This bill also is

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estimated to decrease local sales tax revenues by \$58,800 in FY 2019. For any taxable purchases related to the project that occur between January 1, 2018, and June 30, 2018, the Department of Revenue would be required to process sales tax refund requests that would be processed in FY 2019. According to the Department of Revenue, reissuing sales tax publications and issuing the tax entity exemption certificate would cost \$1,200 from the State General Fund in FY 2019.

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 HB 2607 is not reflected in *The FY 2019 Governor's Budget Report*.

Sincerely,



Larry L. Campbell  
Chief Budget Officer

cc: Lynn Robinson, Department of Revenue  
Ben Cleeves, Transportation  
Chardae Caine, League of Municipalities  
Melissa Wangemann, Association of Counties