

February 21, 2020

The Honorable Sean Tarwater, Chairperson
House Committee on Commerce, Labor and Economic Development
Statehouse, Room 151D-S
Topeka, Kansas 66612

Dear Representative Tarwater:

SUBJECT: Fiscal Note for HB 2599 by Representative Capps

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2599 is respectfully submitted to your committee.

Under current law, the Department of Revenue is allowed to place a lien for unpaid sales taxes on the property of a person who sells their business until the taxes are paid in full. HB 2599 would repeal this requirement.

The Department of Revenue estimates that HB 2599 would reduce state and local sales tax revenues by allowing a person to sell their business without paying final tax liabilities or prior tax debts. The Department indicates that existing law has been a very effective tool in preventing businesses from selling all assets without ensuring final taxes for the business are paid. The Department indicates that as of February 2020, the current balance of business debt that qualifies under this current requirement is approximately \$134.0 million. This amount would increase as a result of this bill and would make it more difficult to recover this debt in the future. The state would receive less state sales tax revenue to the State General Fund and State Highway Fund and local governments would receive less local sales tax revenue. However, the Department did not provide an estimate of the amount of lower sales tax revenues that could result from the bill.

The Kansas Department of Transportation indicates that the bill would reduce state revenues to the State Highway Fund, as noted above. 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 2599 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Director of the Budget

cc: Jay Hall, Association of Counties
Ben Cleaves, Transportation
Lynn Robinson, Department of Revenue
Trey Cocking, League of Municipalities