

February 27, 2020

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

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2683 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2683 is respectfully submitted to your committee.

HB 2683 would provide a sales tax exemption for Sent, Inc. for the purpose of home construction and rehabilitation in low income neighborhoods, supportive education services for low income youth, and community health and wellness activities in low income neighborhoods. The bill would extend the sales tax exemption for any contractor hired for the construction, equipment, reconstruction, maintenance, repairing, enlarging, furnishing, or remodeling of homes and facilities for the organization. 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 expire on July 1, 2024.

Estimated State Fiscal Effect				
	FY 2020 SGF	FY 2020 All Funds	FY 2021 SGF	FY 2021 All Funds
Revenue	--	--	(\$59,500)	(\$71,000)
Expenditure	--	--	\$1,200	\$1,200
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2683 would decrease state revenues by \$71,000 in FY 2021. Of that total, the State General Fund is estimated to decrease by \$59,500 in FY 2021, while the State Highway Fund is estimated to decrease by \$11,500 in FY 2021. This

bill also is estimated to decrease local sales tax revenues by approximately \$29,000 in FY 2021. The Department of Revenue indicates that this bill would have a similar fiscal effect in future fiscal years. 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 2021.

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 2683 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. L. Campbell". The signature is fluid and cursive, with a large initial "L" and a long, sweeping underline.

Larry L. Campbell
Director of the Budget

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