

March 20, 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 2741 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2741 is respectfully submitted to your committee.

HB 2741 would provide a sales tax exemption for organizations operating as an Area Agency on Aging that contracts with the State of Kansas to provide services to older Kansan, persons with disabilities, or caregivers.

Estimated State Fiscal Effect				
	FY 2020 SGF	FY 2020 All Funds	FY 2021 SGF	FY 2021 All Funds
Revenue	--	--	(\$95,500)	(\$114,000)
Expenditure	--	--	\$1,200	\$1,200
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2741 would decrease state revenues by \$114,000 in FY 2021. Of that total, the State General Fund is estimated to decrease by \$95,500 in FY 2021, while the State Highway Fund is estimated to decrease by \$18,500 in FY 2021. This bill also is estimated to decrease local sales tax revenue by \$38,000 in FY 2021. The Department of Revenue indicates that this exemption would have a similar fiscal effect in future fiscal years.

To formulate these estimates, the Department of Revenue reviewed data on Area Agencies on Aging. That data shows that there are currently 11 agencies in the state, including eight that are not already associated with a sales tax-exempt organization. Based on this information, it is estimated that the sales tax exemption would result in a reduction of \$114,000 in state sales tax

collections. According to the Department of Revenue, reissuing sales tax publications and issuing tax entity exemption certificates 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 2741 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
Lynn Robinson, Department of Revenue
Ben Cleeves, Transportation