

March 6, 2020

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 460 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 460 is respectfully submitted to your committee.

SB 460 would increase the threshold filing amounts for retailers to submit sales taxes to the Department of Revenue. The bill would increase the threshold amounts to \$15,000 for annual filings (\$400 under current law); \$25,000 for quarterly filings (\$4,000 under current law); and to above \$25,000 for monthly filings (above \$4,000 under current law). Amounts greater than \$50,000 (\$40,000 under current law) would require the retailer to prepay the first 15 calendar days of tax liability when paying their monthly sales taxes to the Department of Revenue. The bill would specify that retailers are not required to file sales tax returns electronically unless they are model 1, model 2, or model 3 sellers under the Streamlined Sales Tax Agreement.

Estimated State Fiscal Effect				
	FY 2020 SGF	FY 2020 All Funds	FY 2021 SGF	FY 2021 All Funds
Revenue	--	--	(\$53,100,000)	(\$63,300,000)
Expenditure	--	--	\$25,601	\$25,601
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 460 would decrease state revenues by \$63.3 million in FY 2021. Of that total, the State General Fund is estimated to decrease by \$53.1 million in FY 2021, while the State Highway Fund is estimated to decrease by \$10.2 million in FY 2021. This bill also is estimated to decrease local sales tax revenues; however, the specific estimate of lower local sales tax revenues was not calculated by the Department of Revenue.

To formulate these estimates, the Department of Revenue reviewed data on sales tax collections. The Department indicates that the bill would move some filers from not filing as often that would delay the collection of state and local sales tax revenues from FY 2021 to FY 2022. This would cause a one-time decrease in sales tax revenue when the change occurs in FY 2021. The state would collect the same amount of sales tax revenues, but revenue collections would shift to the next fiscal year.

The Department indicates that the bill would require \$25,601 from the State General Fund in FY 2021 to implement the bill and to modify the sales tax IT system. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department's current budget may be required.

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. 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 SB 460 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,



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