

January 27, 2021

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

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2104 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2104 is respectfully submitted to your committee.

Under current law, the sales tax exemption for construction materials at educational institutions does not apply to the erection, construction, repair, enlargement, or equipment of buildings used primarily for human habitation. HB 2104 would allow this sales tax exemption to apply to buildings used primarily for human habitation as long as the building is not used for student housing.

Estimated State Fiscal Effect				
	FY 2021 SGF	FY 2021 All Funds	FY 2022 SGF	FY 2022 All Funds
Revenue	--	--	(\$45,400)	(\$54,200)
Expenditure	--	--	\$1,200	\$1,200
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2104 would decrease state revenues by \$54,200 in FY 2022. Of that total, the State General Fund is estimated to decrease by \$45,400 in FY 2022, while the State Highway Fund is estimated to decrease by \$8,800. This bill also is estimated to decrease local sales tax revenue by \$8,300 in FY 2022. The Department of Revenue indicates that this exemption would have a similar fiscal effect in future fiscal years.

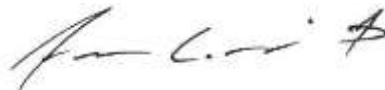
The Department of Revenue indicated that the bill was requested for introduction by the Cerebral Palsy Research Foundation and the Department is not aware of any other organizations in the state in which the bill's proposed changes would apply. According to the Department of

Revenue, reissuing sales tax publications would cost \$1,200 from the State General Fund in FY 2022.

The Kansas Department of Transportation indicates that the bill would reduce state revenues to the State Highway Fund, as noted above. The Board of Regents indicates that the bill would apply to a narrow category of buildings to be used for inhabitation as a residence, but not for students, at public and private nonprofit institutions of higher education. The Board does not have data on the amount of sales tax paid for materials associated with these limited projects. Any fiscal effect associated with HB 2104 is not reflected in *The FY 2022 Governor's Budget Report*.

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.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Ben Cleeves, Transportation
Jay Hall, Association of Counties
Wendi Stark, League of Municipalities
Kelly Oliver, Board of Regents