

February 23, 2022

The Honorable Adam Smith, Chairperson
House Committee on Taxation
Statehouse, Room 346-S
Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2684 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2684 is respectfully submitted to your committee.

HB 2684 would provide a sales tax exemption for organizations operating as an Area Agency on Aging for the purpose of coordinating and providing seniors and those living with disabilities with services that promote person-centered care, including home-delivered meals, congregate meal settings, long-term case management, transportation, information, assistance, and other preventative and intervention services to help service recipients remain in their homes and communities. The sales tax exemption would also be extended for any contractor hired for the construction, equipment, reconstruction, maintenance, repairing, enlarging, furnishing, or remodeling of facilities used for the operation of services for an Area Agency on Aging. 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 bill would also exempt from sales tax any sales conducted by an Area Agency on Aging.

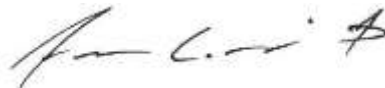
Estimated State Fiscal Effect				
	FY 2022 SGF	FY 2022 All Funds	FY 2023 SGF	FY 2023 All Funds
Revenue	--	--	(\$109,000)	(\$130,000)
Expenditure	--	--	\$2,400	\$2,400
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2684 would decrease state revenues by \$130,000 in FY 2023. Of that total, the State General Fund is estimated to decrease by \$109,000 in FY 2023, while the State Highway Fund is estimated to decrease by \$21,000 in FY 2023. 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 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 an annual reduction of approximately \$130,000 in state sales tax collections. According to the Department of Revenue, reissuing sales tax publications and issuing tax entity exemption certificates would cost \$2,400 from the State General Fund in FY 2023.

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 2684 is not reflected in *The FY 2023 Governor's Budget Report*.

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: Jay Hall, Association of Counties
Wendi Stark, League of Municipalities
Lynn Robinson, Department of Revenue
Brendan Yorkey, Department of Transportation