

March 1, 2021

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 228 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 228 is respectfully submitted to your committee.

SB 228 would allow movie theaters to retain the state sales tax collected on the admission charged for viewing movies or films and on concessions sold at the business. The business would be required to remit the local portion of the sales tax collected to the Department of Revenue. The eligible business would be able to retain the state sales tax collected beginning on July 1, 2021 through June 30, 2023.

Estimated State Fiscal Effect				
	FY 2021 SGF	FY 2021 All Funds	FY 2022 SGF	FY 2022 All Funds
Revenue	--	--	(\$5,800,000)	(\$6,900,000)
Expenditure	--	--	\$262,471	\$262,471
FTE Pos.	--	--	--	3.00

The Department of Revenue estimates that SB 228 would decrease state revenues by \$6.9 million in FY 2022. Of that total, the State General Fund is estimated to decrease by \$5.8 million in FY 2022, while the State Highway Fund is estimated to decrease by \$1.1 million in FY 2022. The Department indicates that similar results would also occur in FY 2023. Local sales tax revenues collected from movies or films and concessions sold at the business are not estimated to be affected under the provisions of this bill.

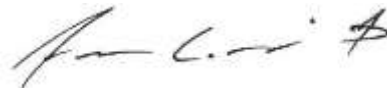
To formulate these estimates, the Department of Revenue reviewed sales tax data on movie theater businesses. State sales and use tax collections reported by movie theaters were \$8.3 million in calendar year 2019 and fell to \$5.5 million in FY 2020, with the decrease largely due to Covid-19 mitigation efforts. Assuming that FY 2022 and FY 2023 movie theater collections will be an average of calendar year 2019 and FY 2020 collections, the bill would reduce state sales and use tax collections by approximately \$6.9 million in each fiscal year.

The Department of Revenue indicates that it would require a total \$262,471 from the State General Fund in FY 2022 to hire 3.00 new FTE positions to implement the bill and to modify the sales tax system. Implementation costs include the costs for IT enhancements, systems testing, revisions to publications and instructions, and correspondence to taxpayers. The Department estimates that ongoing expenses for salaries and wages for the 3.00 FTE positions and overhead expenses would total \$188,687 from the State General Fund in FY 2023. 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 have no fiscal effect on local sales tax collections. Any fiscal effect associated with SB 228 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,



Adam Proffitt  
Director of the Budget

cc: Lynn Robinson, Department of Revenue  
Ben Cleaves, Transportation  
Wendi Stark, League of Municipalities  
Jay Hall, Association of Counties