

January 25, 2022

The Honorable Caryn Tyson, Chairperson
 Senate Committee on Assessment and Taxation
 Statehouse, Room 548-S
 Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 327 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 327 is respectfully submitted to your committee.

SB 327 would exclude delivery charges that are separately stated on an invoice from the calculation of sales tax beginning on July 1, 2022.

Estimated State Fiscal Effect				
	FY 2022 SGF	FY 2022 All Funds	FY 2023 SGF	FY 2023 All Funds
Revenue	--	--	(\$4,000,000)	(\$4,800,000)
Expenditure	--	--	\$1,200	\$1,200
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 327 would decrease state revenues by \$4.8 million in FY 2023. Of that total, the State General Fund is estimated to decrease by \$4.0 million in FY 2023, while the State Highway Fund is estimated to decrease by \$800,000 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. The fiscal effect to state revenues during subsequent years would be as follows:

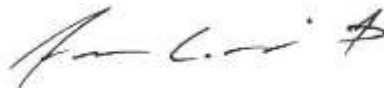
	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
State General Fund	(\$4,000,000)	(\$4,000,000)	(\$4,000,000)
State Highway Fund	<u>(800,000)</u>	<u>(800,000)</u>	<u>(800,000)</u>
	(\$4,800,000)	(\$4,800,000)	(\$4,800,000)

To formulate the estimates for retail sales tax and compensating use tax collected from delivery charges, the Department of Revenue reviewed retail trade data. In FY 2021, the Department collected \$1.8 billion in retail sales tax from retail trade and assumes that 0.1 percent of that amount was for delivery charges. The Department estimates that state retail sales collections would decrease by \$1.8 million each year if certain delivery costs were excluded from sales tax. In FY 2021, the Department collected \$295.8 million in compensating use tax from retail trade and assumes that 1.0 percent of that amount was for delivery charges. The Department estimates that state compensating us tax collections would decrease by \$3.0 million each year if delivery costs were excluded from compensating us tax. The Department indicates that the bill would require \$1,200 from the State General Fund in FY 2023 to update sales tax forms and publications.

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

Sincerely,



Adam Proffitt
Director of the Budget

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