

February 24, 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 509 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 509 is respectfully submitted to your committee.

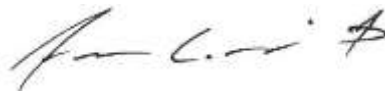
SB 509 would allow a state sales tax refund on purchases made to reconstruct, repair, or replace any residence, building, facility, structure, fixture, fence, other improvement, or household appliance damaged or destroyed by fire, flood, tornado, lightning, explosion, windstorm, ice loading and attendant winds, terrorism, or earthquake occurring on or after January 1, 2021. The bill would not authorize the refunding of any local sales tax collected on these qualified purchases. The bill would not allow interest to be paid on the claim and refund claims must be submitted within three years of the disaster. The bill would become effective upon its publication in the *Kansas Register*.

The Department of Revenue indicates that it does not have data on the numbers of houses and structures that were damaged or destroyed by certain damaging events or the costs to repair or replace these houses or structures after January 1, 2021, in order to provide a precise fiscal effect for SB 509. The new state sales tax refund would result in less state revenues to the State General Fund and State Highway Fund beginning in FY 2022. The bill would have no effect on local sales tax revenues.

According to the Kansas Division of Emergency Management, over 100 houses and structures were damaged or destroyed during the storms occurring on December 15, 2021; however, this does not capture the entirety of statewide damage and destruction occurring to structures due to fire, flood, tornado, lightning, explosion, windstorm, ice loading and attendant winds, terrorism, or earthquake since January 1, 2021. In addition, the fiscal effect that this new state sales tax refund would have on state revenues in future fiscal years is also unknown.

The Department of Revenue indicates that it would require a total of \$68,947 from the State General Fund in FY 2023 to implement the bill, including revising forms and publication and to issue a notice. The bill would require the Department to hire 1.00 new FTE position to answer questions from taxpayers and to review, process, and audit state sales tax refund requests. The Department estimates that ongoing expenses for salaries and wages for the 1.00 FTE position and overhead expenses would total \$61,506 from the State General Fund in FY 2024. Any fiscal effect associated with SB 509 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: Wendi Stark, League of Municipalities
Jay Hall, Association of Counties
Lynn Robinson, Department of Revenue
Brendan Yorkey, Department of Transportation