

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 526 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 526 is respectfully submitted to your committee.

Under current law, the sales tax exemption for construction materials at educational institutions does not generally apply to the erection, construction, repair, enlargement, or equipment of buildings used primarily for human habitation. SB 526 would allow this sales tax exemption to apply to buildings used primarily for human habitation for the Kansas State School for the Blind and the Kansas State School for the Deaf beginning on July 1, 2022.

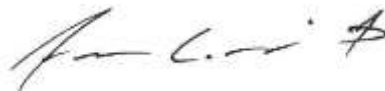
The Department of Revenue estimates that SB 526 would decrease state revenues by \$38,900 in FY 2023. Of that total, the State General Fund is estimated to decrease by \$32,600 in FY 2023, while the State Highway Fund is estimated to decrease by \$6,300 in FY 2023. This bill also is estimated to decrease local revenues by \$17,700 in FY 2023. The Department indicates that similar results would also occur in future fiscal years. According to the Department of Revenue, reissuing sales tax publications and revising forms would cost \$1,200 from the State General Fund in FY 2023.

To formulate these estimates, the Department of Revenue reviewed sales tax collection data from Kansas State School for the Deaf and the Kansas State School for the Blind. Both Schools currently have ongoing construction projects involving dormitories that are not exempt from state and local sales tax even though other projects and items on its campus are exempt. The sales tax exemption would save approximately \$56,600 from the State Institutions Building Fund (SIBF) in FY 2023 for not paying the state and local sales tax costs related to construction projects involving dormitories. The savings would be approximately \$5,100 for the Kansas State School

for the Blind and \$51,500 for the Kansas State School for the Deaf. Both Schools indicate they would request less SIBF funding for future fiscal years to account for the reduction in expenditures.

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 SB 526 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: Lynn Robinson, Department of Revenue
Brendan Yorkey, Department of Transportation
Wendi Stark, League of Municipalities
Jay Hall, Association of Counties
Jeanette Magathan, Schools for the Blind & Deaf