

March 11, 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 527 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 527 is respectfully submitted to your committee.

SB 527 would provide a sales tax exemption to nonprofit organizations that provide substance use disorder treatment or provide support to foster children and licensed foster families with property and services that are used for the purpose of furthering the mission, vision, values, and goals of the nonprofit organization. The nonprofit organization would be required to be exempt from federal income taxation; receive not less than 51.0 percent of all funding from federal, state, or local government funding sources or is a defined as a Public Charity and Public Support organization under federal Internal Revenue Service requirements; is actively registered as a charitable organization under the Charitable Organizations and Solicitations Act; has its corporate headquarters in the State of Kansas; and has at least 75.0 percent of the members of the board of directors being residents of the State of Kansas. The sales tax exemption would also be extended for any contractor hired for the construction, maintenance, repairing, enlarging, furnishing, or remodeling of facilities for the nonprofit organization. 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 sales tax exemption would become effective on July 1, 2022.

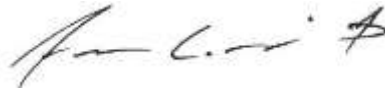
The Department of Revenue is unable to provide an estimate of the fiscal effect of SB 527 because it unknown how many organizations would qualify for this new sales tax exemption. The number of nonprofit foster children and licensed foster family support organizations meeting the nonprofit organization criteria outlined in the bill is unknown. The Department for Aging and Disability Services reports that there are about 135 different substance use disorder treatment providers in the state; however, the number of those providers meeting the nonprofit organization

criteria outlined in the bill is unknown. The new sales tax exemption would result in less state revenues to the State General Fund and State Highway Fund and local governments would receive less local sales tax revenue. According to the Department of Revenue, revising sales tax forms and publications 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.

The Department for Children and Families (DCF) indicates that the bill has the potential to reduce expenditures by lowering reimbursements to foster care organizations. The sales tax exemption would reduce expenditures for certain foster care organizations and those expenditures would no longer need to be reimbursed by DCF. However, DCF is unable to estimate the amount of lower expenditures that would result from enactment of this bill. Any savings resulting from implementing the bill would be realized in the Human Services Consensus Caseload process. Any fiscal effect associated with SB 527 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  
Leigh Keck, Aging & Disability Services  
Kim Holter, Children & Families