

SESSION OF 2022

SUPPLEMENTAL NOTE ON SENATE BILL NO. 432

As Recommended by Senate Committee on
Assessment and Taxation

Brief*

SB 432 would provide for a sales tax exemption for the first Thursday in August through the following Sunday for purchases of back-to-school-related clothing, clothing accessories or equipment, school supplies, school instructional materials, school art supplies, personal computers, school computer supplies, and prewritten computer software, as those items are defined by the bill.

The bill would direct the application of the exemption under certain conditions for layaway sales, bundled sales, discounts, unit sales, rain checks, exchanges, deliveries outside the time of the exemption, and returns.

The bill would be in effect upon publication in the *Kansas Register*.

Background

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Peck.

In the Senate Committee hearing on the bill, **proponent** testimony was provided by Senators Peck and Doll, generally stating that some of Kansas' neighboring states provide similar exemptions, and the bill would result in sales returning to Kansas and Kansas families receiving a sales tax reduction in making back-to-school purchases.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

No other testimony was provided.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, the Department of Revenue estimates enactment of the bill would result in a reduction in state revenues of \$8.35 million in FY 2023, increasing to \$9.0 million by FY 2027. Of those amounts, \$7.0 million would be from the State General Fund in FY 2023, rising to \$7.55 million in FY 2027. The balance would reduce revenues to the State Highway Fund. The Kansas Association of Counties and League of Kansas Municipalities also indicate the bill would reduce local sales tax collections.

Additionally, the Department of Revenue indicates definitions in the bill could result in Kansas being determined to be out of compliance with the Streamlined Sales and Use Tax Agreement, which could imperil revenue received pursuant to that Agreement.

Taxation; sales tax; exemptions; school supplies; clothing; computers