

February 10, 2023

REVISED

The Honorable Adam Smith, Chairperson
House Committee on Taxation
300 SW 10th Avenue, Room 346-S
Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Revised Fiscal Note for HB 2009 by Representative Sawyer-Clayton

In accordance with KSA 75-3715a, the following revised fiscal note concerning HB 2009 is respectfully submitted to your committee.

HB 2009 would provide a sales tax exemption for diapers and feminine hygiene products beginning on July 1, 2023. The bill includes definitions for diapers and feminine hygiene products.

Estimated State Fiscal Effect				
	FY 2023 SGF	FY 2023 All Funds	FY 2024 SGF	FY 2024 All Funds
Revenue	--	--	(\$6,800,00)	(\$8,300,000)
Expenditure	--	--	\$1,200	\$1,200
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2009 would decrease state revenues by \$8.3 million in FY 2024. Of that total, the State General Fund is estimated to decrease by \$6.8 million in FY 2024, while the State Highway Fund is estimated to decrease by \$1.5 million in FY 2024. Since the original fiscal note was issued, the Department of Revenue revised its estimate of the fiscal effect. 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 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
State General Fund	(\$8,100,000)	(\$8,300,000)	(\$8,400,000)	(\$8,500,000)
State Highway Fund	<u>(1,730,000)</u>	<u>(1,830,000)</u>	<u>(1,850,000)</u>	<u>(1,850,000)</u>
	(\$9,830,000)	(\$10,130,000)	(\$10,250,000)	(\$10,350,000)

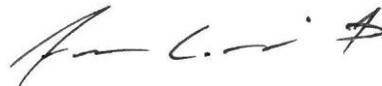
To formulate these estimates, the Department of Revenue reviewed data from the U.S. Bureau of Labor Statistics Consumer Expenditure Survey and the Kansas Department of Health and Environment. According to the Department of Revenue, reissuing sales tax publications and revising forms would cost \$1,200 from the State General Fund in FY 2024.

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. The bill also has the potential to reduce revenues that are pledged to repay STAR bond projects; however, it is unknown what impact this bill would have on the viability of those projects.

The fiscal effect associated with SB 89 is reflected in *The FY 2024 Governor's Budget Report*. However, the total reduction in sales tax revenue is slightly less in FY 2024 for SB 89 as compared to the tax policy recommended by the Governor. There is a one-month lag in sales tax collections after a sales tax change goes into effect and the Governor's tax policy recommendation would take effect three months earlier on April 1, 2023.

Sincerely,



Adam Proffitt
Director of the Budget

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