



March 6, 2023

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

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2318 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2318 is respectfully submitted to your committee.

HB 2318 would reduce the state retail sales and compensating use tax rates from 6.5 percent to 6.15 percent beginning on July 1, 2023.

Estimated State Fiscal Effect				
	FY 2023 SGF	FY 2023 All Funds	FY 2024 SGF	FY 2024 All Funds
Revenue	--	--	(\$333,100,000)	(\$399,000,000)
Expenditure	--	--	\$7,615	\$7,615
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2318 would decrease state revenues by \$399.0 million in FY 2024. Of that total, the State General Fund is estimated to decrease by \$333.1 million in FY 2024, while the State Highway Fund is estimated to decrease by \$65.9 million in FY 2024. The bill would have no fiscal effect on local sales tax revenues. The fiscal effect to state revenues during subsequent years would be as follows:

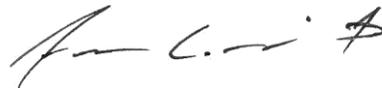
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
State General Fund	(\$362,600,000)	(\$364,100,000)	(\$369,700,000)	(\$375,400,000)
State Highway Fund	<u>(76,900,000)</u>	<u>(79,900,000)</u>	<u>(81,100,000)</u>	<u>(82,400,000)</u>
	(\$439,500,000)	(\$444,000,000)	(\$450,800,000)	(\$457,800,000)

The Department indicates that the bill would require \$7,615 from the State General Fund in FY 2024 for IT system updates, quality assurance, and to update forms and publications.

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 League of Kansas Municipalities indicates that the bill has the potential to reduce state 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. Any fiscal effect associated with HB 2318 is not reflected in *The FY 2024 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 Kansas Municipalities