

March 15, 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 2454 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2454 is respectfully submitted to your committee.

HB 2454 would provide a sales tax exemption for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing, or remodeling a theater which is operated or intended to be a not-for-profit corporation and is listed on the Register of Historic Kansas Places. The sales tax exemption would also be extended for any contractor hired for constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing, or remodeling the historic theater. 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 bill would be effective July 1, 2023.

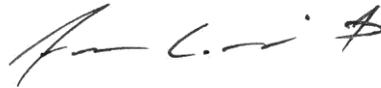
The Department of Revenue estimates that HB 2454 has the potential to decrease state and local sales tax revenues by unknown amounts beginning in FY 2024. The state funds directly affected by this bill are the State General Fund and the State Highway Fund. However, the Department does not have sufficient information on the operational status and any proposed projects for these historic theaters to make a precise estimate of the amount of reduced state and local sales tax revenues. According to the Kansas Historical Society, there are seven theaters listed on the Register of Historic Kansas Places. According to the Department of Revenue, reissuing sales tax publications and revising forms would cost \$1,800 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. Any fiscal effect associated with HB 2454 is not reflected in *The FY 2024 Governor's Budget Report*.

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.

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