

February 21, 2024

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
300 SW 10th Avenue, Room 548-S
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 454 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 454 is respectfully submitted to your committee.

SB 454 would expand the sales tax exemption for nonprofit organizations that distribute food products to include organizations that directly distribute food to people as part of a charitable food distribution program without fee or charge. The bill would become effective on July 1, 2024.

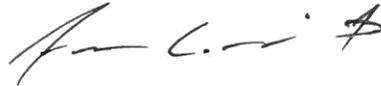
The Department of Revenue estimates that SB 454 would decrease state sales tax revenues to the State General Fund and the State Highway Fund by negligible amounts in FY 2025. This bill is also estimated to decrease local sales tax revenues; however, the specific estimate of lower local sales tax revenues was not calculated by the Department of Revenue.

To formulate these estimates, the Department of Revenue reviewed data from Kansas Food Source that shows every county in Kansas has at least one food assistance program with a total of 824 food assistance access points statewide. The majority of these programs are sponsored by organizations that are already exempt from sales tax. For the remaining programs, it is assumed that the majority of their purchases are for food and food ingredients. With the current state sales tax rate on food and food ingredients set at 2.0 percent and the state sales tax rate on these products moving to 0.0 percent on January 1, 2025, the state impact is estimated to be minimal. According to the Department of Revenue, reissuing sales tax publications and revising forms would cost \$1,200 from the State General Fund in FY 2025.

The Kansas Department of Transportation indicates that the bill would reduce state revenues to the State Highway Fund as noted above. Any fiscal effect associated with SB 454 is not reflected in *The FY 2025 Governor's Budget Report*.

The Kansas Association of Counties and the League of Kansas Municipalities indicate 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 C. Proffitt". The signature is fluid and cursive, with a distinct flourish at the end.

Adam C. Proffitt
Director of the Budget

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