

January 31, 2023

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 60 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 60 is respectfully submitted to your committee.

SB 60 would provide a sales tax exemption for service of slaughtering, butchering, custom cutting, dressing, processing, and packaging of an animal for human consumption when the animal is owned by and is intended for consumption by the customer. The sales tax exemption would go into effect on July 1, 2023.

Estimated State Fiscal Effect				
	FY 2023 SGF	FY 2023 All Funds	FY 2024 SGF	FY 2024 All Funds
Revenue	--	--	(\$1,400,000)	(\$1,700,000)
Expenditure	--	--	\$1,800	\$1,800
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 60 would decrease state revenues by \$1.7 million in FY 2024. Of that total, the State General Fund is estimated to decrease by \$1.4 million in FY 2024, while the State Highway Fund is estimated to decrease by \$300,000 in FY 2024. 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:

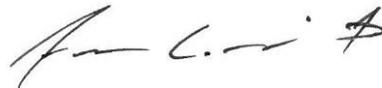
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
State General Fund	(\$1,700,000)	(\$1,700,000)	(\$1,700,000)	(\$1,700,000)
State Highway Fund	<u>(400,000)</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>(400,000)</u>
	(\$2,100,000)	(\$2,100,000)	(\$2,100,000)	(\$2,100,000)

To formulate these estimates, the Department of Revenue reviewed data on prior sales tax collection amounts from meat processing services. 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.

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. Any fiscal effect associated with SB 60 is not reflected in *The FY 2024 Governor's Budget Report*.

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