

SESSION OF 2024

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2685

As Amended by House Committee on Taxation

Brief*

HB 2685, as amended, would create a sales tax exemption for purchases by any organization exempt from federal income tax pursuant to 501(c)(3) of the federal Internal Revenue Code.

Background

The bill was introduced by the House Committee on Taxation at the request of Representative A. Smith on behalf of the 2023 Special Committee on Taxation.

House Committee on Taxation

In the House Committee hearing, **proponent** testimony was provided by representatives of the Friends of Cedar Crest Association, Friends of Johnson County Developmental Supports, InterHab, and Kansas Pet Advocates, and a private citizen. Proponents generally stated the bill would create a more fair and uniform system of sales tax exemptions for charitable organizations and enable such organizations to better utilize funds for providing services.

Written-only proponent testimony was provided by representatives of Big Lakes Development Center; Cana House of Hospitality; ICT SOS; Kansas Humane Society of Wichita, Kansas; Kansas State Firefighters Association;

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Music Theatre Wichita; Wichita Repertory Theater; Starkey, Inc.; and Sleep in Heavenly Peace.

Written-only neutral testimony was provided by a representative of the League of Kansas Municipalities, who stated the organization is neutral on the question of state sales tax exemptions, but decisions to exempt local sales taxes should be made by voters and elected officials of the respective communities.

No additional testimony was provided.

The House Committee amended the bill to remove a requirement that an entity be in good standing with the Secretary of State as a condition for the sales tax exemption.

Fiscal Information

The Department of Revenue estimated the bill, as amended, would annually decrease state revenues by \$34.4 million, with \$28.6 million from the State General Fund and the balance from the State Highway Fund. The Department also indicated enactment of the bill would reduce local government revenues. Any fiscal effect associated with the bill is not reflected in *The FY 2025 Governor's Budget Report*.

[*Note:* In the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Department of Revenue was unable to provide an estimated fiscal effect due to unclear language in the bill, which the Committee removed by amendment.]

Taxation; sales tax exemptions; 501(c)(3) organizations