



February 27, 2024

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 2773 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2773 is respectfully submitted to your committee.

HB 2773 would provide a sales tax exemption for the Boys' and Girls' Club of Topeka for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing, or remodeling a workforce readiness and career development center for middle school and high school students. The sales tax exemption would also be extended to any contractor hired for the same purpose. 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 sales tax exemption would go into effect on July 1, 2024.

Estimated State Fiscal Effect			
	FY 2024	FY 2025	FY 2026
Expenditures			
State General Fund	--	--	--
Fee Fund(s)	--	\$1,800	--
Federal Fund	--	--	--
Total Expenditures	--		--
Revenues			
State General Fund	--	(\$267,000)	--
Fee Fund(s)	--	(58,000)	--
Federal Fund	--	--	--
Total Revenues	--	(\$325,000)	--
FTE Positions	--	--	--

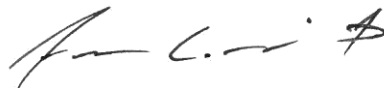
The Department of Revenue estimates that HB 2688 would decrease state revenues by \$325,000 in FY 2025. Of that total, the State General Fund is estimated to decrease by \$267,000 in FY 2025, while the State Highway Fund is estimated to decrease by \$58,000 in FY 2025. This bill is also estimated to 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 the Boys' and Girls' Club of Topeka, which reports that it has a capital project with taxable expenditures estimated at \$5.0 million. The fiscal note assumes the capital project would be completed in FY 2025. The costs of any future capital projects for the Boys' and Girls' Club of Topeka would also be exempt from sales tax; however, those costs are unknown. According to the Department of Revenue, reissuing sales tax publications and revising forms would cost \$1,800 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 HB 2773 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. This bill has the potential to reduce revenues that are pledged to repay STAR bond projects; however, it is unknown what impact the bill would have on the viability of those projects.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", with a stylized flourish at the end.

Adam C. 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