

January 25, 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 53 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 53 is respectfully submitted to your committee.

SB 53 would exclude coupons issued by a manufacturer, supplier, or distributor of a product from the selling price of a product for the calculation of sales tax beginning on July 1, 2023.

Estimated State Fiscal Effect				
	FY 2023 SGF	FY 2023 All Funds	FY 2024 SGF	FY 2024 All Funds
Revenue	--	--	(\$1,700,000)	(\$2,000,000)
Expenditure	--	--	\$1,200	\$1,200
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 53 would decrease state revenues by \$2.0 million in FY 2024. Of that total, the State General Fund is estimated to decrease by \$1.7 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:

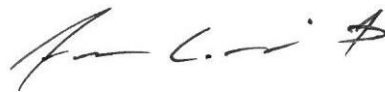
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
State General Fund	(\$1,900,000)	(\$1,900,000)	(\$1,900,000)	(\$1,900,000)
State Highway Fund	<u>(400,000)</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>(400,000)</u>
	(\$2,300,000)	(\$2,300,000)	(\$2,300,000)	(\$2,300,000)

To formulate the estimates for excluding manufacturer coupons from the calculation of sales tax, the Department of Revenue reviewed national data on the use of coupons. According to industry data, \$3.4 billion of coupons are redeemed in the U.S. annually. Assuming that Kansas represents approximately 1.0 percent of the national economy, Kansans redeem approximately \$34.0 million of coupons each year. This would result in a loss of approximately \$2.0 million in state sales tax revenue in FY 2024, including \$1.7 million from the State General Fund and \$300,000 from the State Highway Fund. The Department indicates that the bill would require \$1,200 from the State General Fund in FY 2024 to update sales tax forms and publications.

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. The bill also has the potential to reduce revenues that are pledged to repay STAR bond projects; however, it is unknown what impact this bill would have on the viability of those projects. Any fiscal effect associated with SB 53 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