

February 13, 2017

The Honorable Steven Johnson, Chairperson
House Committee on Taxation
Statehouse, Room 185-N
Topeka, Kansas 66612

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2177 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2177 is respectfully submitted to your committee.

Under current law, retailers are required to use destination-based sourcing to calculate the local retail sales and compensating use tax rates at the location where the purchaser receives the item that is sold. HB 2177 would require retailers to use origin-based sourcing to calculate the local retail sales and compensating use tax rates at the location where the seller receives the order for the item that is sold.

The Department of Revenue estimates that HB 2177 would have no fiscal effect on state revenues. The bill would change the distribution of local retail sales and compensating use tax revenues between local governments; however, the Department does not have data to provide a specific fiscal effect on each local government that would increase or decrease local revenues as a result of this bill. The Department indicates that the bill would require \$600 from the State General Fund in FY 2018 to update sales tax publications.

The League of Kansas Municipalities and the Kansas Association of Counties indicate the bill would have a different fiscal effect on each specific local government based on the amount of retail and commercial business activity occurring in each city or county. Areas that have significant retail and commercial businesses would likely receive additional local sales tax revenues, whereas areas that lack significant retail or commercial businesses would likely experience a decrease in local sales tax revenue. Any fiscal effect associated with HB 2177 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: Jack Smith, Department of Revenue
Ben Cleaves, Transportation
Brock Ingmire, League of Municipalities
Melissa Wangemann, Association of Counties