

SESSION OF 2022

**SUPPLEMENTAL NOTE ON HOUSE SUBSTITUTE FOR  
SENATE BILL NO. 318**

As Recommended by House Committee on  
Taxation

**Brief\***

House Sub. for SB 318 would create a sales tax exemption for purchases necessary to reconstruct, repair, or replace a fence used to enclose agricultural land that was damaged or destroyed by a wildfire, flood, tornado, or other natural disaster occurring on or after January 1, 2021.

In order to be eligible for the exemption, the property containing the fence would be required to be located within an area declared to be a disaster by the federal, state, or local government.

For applicable purchases already made, taxpayers would be entitled to a refund of sales tax upon provision of appropriate documentation.

The bill would be in effect upon publication in the *Kansas Register*.

**Background**

SB 318 was introduced by Senators Bowers, Billinger, and Tyson.

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\*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>

### ***Senate Committee on Assessment and Taxation***

In the Senate Committee hearing on SB 318, **proponent** testimony was provided by Senator Bowers, representatives of the Kansas Livestock Association and the Russell and Ellsworth County Emergency Management Agency, and a private citizen. Proponents described the nature and extent of damage caused by wildfires in the state on December 15, 2021, and noted the cost to replace fencing that farmers and ranchers incur as a result of that damage. Proponents also noted that previously, Kansas had a similar temporary sales tax exemption in place, most recently in 2017 and 2018. Written-only proponent testimony was provided by the Kansas Attorney General and a representative of Kansas Farm Bureau.

No other testimony was provided.

The Senate Committee amended SB 318 to insert the contents of 2020 Special Session SB 2, as amended by the Senate Committee on Assessment and Taxation, concerning property tax abatements for disaster-destroyed property, with an additional provision to provide for retroactive applications for abatements.

### ***Senate Committee of the Whole***

The Senate Committee of the Whole amended SB 318 to clarify provisions concerning disaster destroyed property tax abatements; to give county commissions broader authority to consider budgetary constraints in granting abatements; to expand the availability of the sales tax exemption to fencing destroyed by flood, tornado, or other natural disaster; to limit the eligibility for the exemption to areas where a disaster had been declared by some level of government; to define wildfire; and to create a sales tax exemption for all fencing materials and services used for enclosing agricultural land.

### **House Committee on Taxation**

In the House Committee hearing, **proponent** testimony was provided by representatives of the Kansas Farm Bureau and Kansas Livestock Association, stating SB 318 would provide sales tax relief to farmers and ranchers impacted by wildfires and also reduce the sales tax burden on farmers and ranchers constructing or repairing fencing. Written-only proponent testimony was provided by representatives of the Kansas Cooperative Council, Kansas Grain & Feed Association, Kansas Soybean Association, and Renew Kansas Biofuels Association.

Neutral testimony was provided by a representative of the Kansas Association of Counties.

No other testimony was provided.

The House Committee amended the bill to eliminate provisions concerning property tax abatements for disaster-destroyed property and creating a sales tax exemption for all fencing materials and services used for enclosing agricultural land and created a substitute bill.

### **Fiscal Information**

According to the fiscal note prepared by the Division of the Budget on SB 318, as introduced, the Department of Revenue indicates enactment of the bill is anticipated to reduce state sales tax receipts by \$1.4 million related to the repair and replacement of fencing associated with the December 2021 wildfires. The bill is also anticipated to reduce local sales tax collections by an indeterminate amount.

A fiscal note on the amended bill was not immediately available. Any fiscal effect associated with the bill is not reflected in *The FY 2023 Governor's Budget Report*.

Taxation; sales tax; natural disaster; sales tax exemption; agricultural fencing