

February 24, 2021

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 180 by Senator Peck, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning SB 180 is respectfully submitted to your committee.

SB 180 would provide a sales tax exemption on sales of food and food ingredients, grooming and hygiene products, and household personal products to Kansas residents who are certified by the U.S. Department of Veterans Affairs to receive 100.0 disability compensation and considered to be permanently disabled. Sales qualifying for this exemption would be capped at \$35,000 per year for each qualifying person. The Department of Revenue would be required to issue a veteran exemption identification number to each eligible person. This sales tax exemption would begin on January 1, 2022.

| Estimated State Fiscal Effect | | | | |
|-------------------------------|----------------|----------------------|----------------|----------------------|
| | FY 2021 SGF | FY 2021 All Funds | FY 2022 SGF | FY 2022 All Funds |
| Revenue | -- | -- | (\$4,600,000) | (\$5,500,000) |
| Expenditure | -- | -- | -- | \$37,212 |
| FTE Pos. | -- | -- | -- | 1.00 |

The Department of Revenue estimates that SB 180 would decrease state revenues by \$5.5 million in FY 2022 and \$13.3 million in FY 2023. Of those totals, the State General Fund is estimated to decrease by \$4.6 million in FY 2022 and by \$11.1 million in FY 2023, while the State Highway Fund is estimated to decrease by \$900,000 in FY 2022 and by \$2.2 million in FY 2023.

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.

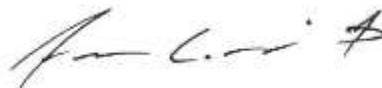
To formulate these estimates, the Department of Revenue reviewed veterans disability data from the Kansas Commission on Veterans Affairs. In federal fiscal year 2018, there were 5,842 Kansas veterans that had 100.0 percent disability compensation rating. If each of these veterans using this exemption to the \$35,000 maximum sales amount per year, then it would result in an annual reduction of state sales tax collections of \$13.3 million.

The Department of Revenue indicates that it would require a total \$37,212 from the State General Fund in FY 2022 to hire 1.00 new FTE position to manage this new sales tax exemption program and to change forms and publications. The Department estimates that ongoing expenses for salaries and wages for the 1.00 FTE position and overhead expenses would total \$62,896 from the State General Fund in FY 2023.

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. Any fiscal effect associated with SB 180 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,



Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Ben Cleeves, Transportation
Wendi Stark, League of Municipalities
Jay Hall, Association of Counties