

SESSION OF 2016

**CONFERENCE COMMITTEE REPORT BRIEF
SUBSTITUTE SENATE BILL NO. 149**

As Agreed to April 30, 2016

Brief*

Sub. for SB 149 would make several changes in law related to income, sales, and electronic cigarette taxes.

The sunset for the angel investor tax credit program, which offers qualified investors transferable state income tax credits of 50 percent, would be extended by five years, from tax year 2017 to tax year 2022.

Additional provisions would create a new individual income tax checkoff program authorizing taxpayers to donate to local school districts of their choice. Donations could be made in an amount of \$10, \$25, \$50, or any another amount designated by taxpayers (including the entire amount of a given refund). Moneys donated would be required to be treated as donations to school districts in accordance with KSA 72-8210 and be reported as gifts for purposes of the Kansas Uniform Financial and Reporting Act.

Another provision would require placement on the individual income tax form of a line for payment of sales tax on out-of-state and internet purchases where the tax was not previously paid (something the Department of Revenue already has been doing administratively for over a decade).

A cap on the amount of community improvement district sales taxes that the Department of Revenue may retain to help defray administrative costs would be increased from \$60,000 to \$200,000.

*Conference committee report briefs are prepared by the Legislative Research Department and do not express legislative intent. No summary is prepared when the report is an agreement to disagree. Conference committee report briefs may be accessed on the Internet at <http://www.kslegislature.org/kldr>

The bill also would provide a temporary sales tax exemption for the Gove County Healthcare Endowment Foundation, Inc., for the purpose of constructing and equipping an airport in Quinter. Additional language would clarify this exemption also would be extended to qualifying purchases made by any contractor hired for that project. The exemption would sunset on July 1, 2019.

An additional temporary sales tax exemption would exempt all sales of tangible personal property and services purchased during calendar year 2016 necessary to construct, reconstruct, repair, or replace any fence damaged or destroyed by fire occurring during calendar year 2016. Sales tax refunds would be available for such sales tax paid on and after January 1, 2016, but prior to the effective date of the bill if appropriate documentation necessary for such refund is provided by the taxpayer.

Finally, the effective date of a new tax enacted in 2015 on the privilege of selling or dealing electronic cigarettes would be delayed from July 1, 2016, to January 1, 2017.

Conference Committee Action

The Conference Committee, on April 30, 2016, agreed to the House version of the bill and further agreed to amend the bill by adding the components of House Substitute for Senate Bill 63, as passed by the House, and by adding the provisions related to a sales tax exemption for certain purchases of fencing.

Background

SB 149 Background

As approved by the Senate and later the House Judiciary Committee during the 2015 Session, the bill dealt with the civil commitment of sexually violent predators and

the Sexual Predator Treatment Program. The House Taxation Committee, on March 18, 2016, stripped the bill of its prior contents, recommended a substitute bill be created, and inserted the aforementioned provisions relating to income taxes.

The angel investor sunset extension, originally in HB 2405, would reduce State General Fund (SGF) receipts by about \$4.2 million per year beginning in FY 2018, according to the Department of Revenue.

Relative to the new school district checkoff (the subject matter of HB 2590), the Department of Revenue indicated it would incur additional administrative costs of \$63,200 in FY 2017.

The mandate for a line on the individual income tax form providing for payment of sales tax on out-of-state and internet purchases was contained originally in HB 2603.

SB 63 Background

As approved by the Senate during the 2015 Session, the bill concerned the authority of municipalities levying special assessments on property acquired by a land bank. The House Taxation Committee, on March 17, 2016, deleted the prior contents of the bill, recommended a substitute bill be created, and inserted the sales and electronic cigarette tax provisions.

The Department of Revenue indicated the new sales tax exemption would be expected to reduce FY 2017 state sales tax receipts by \$0.105 million. Of this amount, \$0.088 million would be attributable to reduced receipts to the SGF, and \$0.017 million would be attributable to reduced receipts to the State Highway Fund.

The deceleration of the electronic cigarette tax effective date would reduce FY 2017 SGF receipts by an additional \$1.000 million.

Additionally, the temporary sales tax exemption for certain purchases of fencing would have an indeterminate fiscal effect during fiscal year 2017.

taxation; sales tax; income tax; school districts

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