

SESSION OF 2017

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2387**

As Amended by Senate Committee of the Whole

**Brief\***

HB 2387, as amended, would provide a sales tax exemption for all property and services purchased during 2017 or 2018 necessary to reconstruct, repair, or replace any fence used to enclose agricultural land that was damaged or destroyed by wildfires occurring in 2016 or 2017.

The exemption could be claimed at the point of sale with an exemption certificate developed by the Department of Revenue. Additional language would establish a refund mechanism relative to taxes which had already collected on any such qualifying purchases.

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

**Background**

Proponents at the House Committee on Taxation hearing, including Representative Ken Rahjes and representatives of the Kansas Livestock Association and Kansas Farm Bureau, pointed to costly damage thus far in 2017 from wildfires across the state.

The original bill also would have exempted purchases associated with repairing or replacing certain residential property and utility poles damaged by the wildfires.

On March 13, the House Committee amended the bill to limit its application to agricultural fencing; to clarify the

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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>

exemption could be claimed under certain circumstances at the point of sale; and to expand the retroactivity of the exemption to include fires that had occurred during 2016.

The Senate Committee of the Whole amendment, which was recommended by the Department of Revenue, is largely technical and clarifying in nature. That amendment clarified that while the exemption would apply to purchases associated with the reconstruction, repair and replacement of fences, it would not apply to certain initial construction purchases.

Fiscal information provided by the Department of Revenue on the original bill indicates, based on the amount of wildfire damage to fences through March 10, state sales tax receipts would be reduced by at least \$4.60 million. Of this amount, \$3.86 million would be attributable to a reduction in State General Fund receipts and \$0.74 million to a reduction in State Highway Fund receipts. The provision making the bill retroactive to fires from 2016 would increase these amounts by an indeterminate amount.