

SESSION OF 2019

**CONFERENCE COMMITTEE REPORT BRIEF
HOUSE BILL NO. 2140**

As Agreed to May 1, 2019

Brief*

HB 2140 would make multiple changes in local sales tax authorization statutes, and it would create a sales tax exemption for certain coins and bullion.

County Sales Tax Provisions

Relative to making multiple changes in local sales tax authorization statutes, the bill would increase the maximum local sales tax rate that could be imposed by Thomas County from 1.50 percent to 1.75 percent, provided all taxes levied in excess of 1.00 percent remain earmarked for financing a courthouse, jail, law enforcement center, or other county administrative facility. Any specially earmarked tax imposed by the bill would be required to sunset when the project costs had been fully paid. An election would be required for an increase in the current Thomas County sales tax, which is 1.50 percent.

The bill would also extend from five years to ten years the sunset on any 0.5 percent tax imposed by Russell County for economic development initiatives or public infrastructure projects.

The bill would renew existing sales tax authority for Jackson County to impose, subject to voter approval, a

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countywide sales tax of 0.4 percent to finance public infrastructure projects. As under continuing law, any such tax imposed would sunset after seven years.

The bill would allow Dickinson County to impose, subject to voter approval, a countywide sales tax of 0.5 percent to finance roadway construction and improvement. This authorization would require any such tax imposed to sunset after ten years, instead of five years as in current law.

The bill would extend the authority of Wabaunsee County to impose a 0.5 percent retail sales tax for an additional period not to exceed 15 years, subject to voter approval.

Additionally, the bill would retroactively ratify the results of a 2017 election in Finney County seeking to increase that county's tax by 0.3 percent and would clarify the county has such rate authority. The tax imposed by the election would be for purposes of an interlocal agreement between the county and Garden City regarding certain infrastructure upgrades and would sunset after 15 years.

The bill would require the Director of Taxation (Director) to confirm all provisions of law applicable to the authorization of local sales taxes have been followed prior to causing collections to commence. Should the Director discover a city or county did not comply with the authorization law after collections have commenced, collections would cease until such error has been remedied.

Additional Sales Tax Exemption

The bill would provide a sales tax exemption for all sales of gold or silver coins and gold, silver, platinum, or palladium bullion.

Conference Committee Action

The Conference Committee agreed to delete the contents of HB 2140 and insert the contents of HB 2033, as amended by the Senate Committee on Assessment and Taxation, and HB 2160, as amended by the Senate Committee.

Background

The Conference Committee deleted the contents of HB 2140 and inserted the contents of HB 2033, as amended by the Senate Committee, and HB 2160, as amended by the Senate Committee. [Note: HB 2140 previously addressed the sunset of the Deferred Retirement Option Program (DROP), which is part of the Kansas Police and Firemen's Plan (KP&F) for the Kansas Highway Patrol and allowing agents of the Kansas Bureau of Investigation to participate in DROP. A Conference Committee report for HB 2031, which includes the DROP provisions, was adopted by the Senate and House.]

HB 2033

HB 2033, as introduced, would have provided additional local sales tax authority for Thomas, Jackson, Russell and Dickinson counties.

HB 2033 was introduced by Representative Adam Smith on January 15. In the House Committee on Taxation hearing on January 23, Representative Smith testified as a proponent of HB 2033. He spoke to Thomas County's need for a new consolidated Criminal Justice Center to house the Courts, the County Attorney, the Sheriff's Office, the jail, and the Colby Police Department. He noted that a November 2017 Thomas County election approved a one-half cent increase in sales tax and the bill would levy an additional one-fourth cent increase. Representatives from the Kansas Association of

Realtors and Thomas County also testified as proponents. Representatives Awerkamp and Waymaster and a representative of Dickinson County provided written-only proponent testimony. No neutral or opponent testimony was provided.

On January 24, the House Committee on Taxation amended the bill to include the provisions of HB 2040 relating to Finney County. [*Note*: The Conference Committee retained this amendment.]

On February 7, the House Committee of the Whole adopted a technical amendment. [*Note*: The Conference Committee retained this amendment.]

On March 20, the Senate Committee on Assessment and Taxation amended the bill to remove the provisions relating to the four counties in the original bill (leaving only Finney County) and inserted such provisions into HB 2160. The Senate Committee also amended the bill to include language regarding local sales tax authorization and the requirements of the Director. [*Note*: The Conference Committee reinserted Thomas, Jackson, Russell and Dickinson counties and retained requirements of the Director.]

HB 2040

HB 2040 was introduced by Representative Hineman on behalf of Garden City and Finney County on January 16, 2019. In the House Committee on Taxation hearing on January 23, representatives from Finney County, Garden City, and the Kansas Association of Counties testified as proponents of HB 2040. The representative from Finney County testified the bill would approve a November 2017 joint Finney County and Garden City election approving a 0.3 percent increase in sales tax for 15 years. The representative noted Finney County is the retail hub of Southwest Kansas. No neutral or opponent testimony was provided.

HB 2160

HB 2160 was introduced by the House Committee on Taxation at the request of Representative Highland on behalf of constituents.

In the House Committee hearing on February 13, 2019, Representative Highland testified as a proponent. Representatives from the Kansas Association of Counties and the Wabaunsee County Commission District 1 also testified as proponents, stating the current authority of Wabaunsee to impose the 0.5 percent additional retail sales tax would sunset in 2022 and the bill would authorize Wabaunsee County to hold an election extending the retail sales tax. No neutral or opponent testimony was provided.

The House Committee amended the bill to remove a provision authorizing Wabaunsee County to conduct subsequent elections to extend the 0.5 percent retail sales tax at intervals not exceeding 15 years. [*Note:* The Conference Committee retained this amendment.]

The Senate Committee amended the bill to insert the contents of HB 2033, as amended by the House Committee of the Whole, except the provision concerning Finney County and to insert the provision concerning the sales tax exemption for coins and bullion. [*Note:* The Conference Committee retained the sales tax exemption.]

Fiscal Information

According to the fiscal notes prepared by the Division of the Budget on HB 2033 and HB 2160, as introduced, the Department of Revenue (Department) indicates both bills would only affect local sales tax collections and would have no effect on state revenues. Any administrative costs of implementing the bill would be negligible and could be absorbed within existing Department resources.

A revised fiscal estimate provided by the Department indicates the provision pertaining to the sales tax exemption for coins and bullion could annually reduce state revenues by \$7,840, including \$6,574 from the State General Fund.

sales tax; county government; gold; exemption

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