

February 22, 2019

The Honorable Steven Johnson, Chairperson
House Committee on Taxation
Statehouse, Room 185-N
Topeka, Kansas 66612

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2272 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2272 is respectfully submitted to your committee.

Under current law, retailers with annual total sales tax liability greater than \$40,000 in any calendar year are required to prepay the first 15 calendar days of tax liability when paying their monthly sales taxes to the Department of Revenue. HB 2272 would increase the calendar year sales tax liability threshold amount to \$60,000 beginning in tax year 2020.

Estimated State Fiscal Effect				
	FY 2019 SGF	FY 2019 All Funds	FY 2020 SGF	FY 2020 All Funds
Revenue	--	--	(\$4,900,000)	(\$5,800,000)
Expenditure	--	--	\$126,932	\$126,932
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2272 would decrease state revenues by \$5.8 million in FY 2020. Of that total, the State General Fund is estimated to decrease by \$4.9 million in FY 2020, while the State Highway Fund is estimated to decrease by \$900,000 in FY 2020. 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 data on sales tax collections. The Department indicates that the bill would exempt some retailers from the requirement of prepaying the first 15 calendar days of tax liability when paying their monthly sales taxes, which would shift state sales tax collections by approximately \$5.8 million. This would cause a one-time decrease in sales tax revenue when the change occurs in FY 2020. The state

would collect the same amount of sales tax revenues, but revenue collections would shift to the next fiscal year.

The Department of Revenue indicates that it would require a total \$126,932 from the State General Fund in FY 2020 to implement the bill and to modify the automated tax system. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue and outside contract programmer services. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department's current budget may be required.

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, known as T-WORKS.

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 HB 2272 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Campbell", written in a cursive style.

Larry L. Campbell
Director of the Budget

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