

SESSION OF 2006

**CONFERENCE COMMITTEE REPORT BRIEF
SENATE BILL NO. 404**

As Agreed to May 5, 2006

Brief*

SB 404 would enact a number of new sales tax exemptions and would expand the food sales tax rebate program.

Sales Tax Exemptions

New exemptions would be provided for:

- Property and services purchased by or on behalf of Special Olympics Kansas, Inc. for the purpose of providing year-round sports training and athletic competition for individuals with intellectual disabilities.
- Sales of certain dietary supplements purchased pursuant to prescription orders issued by licensed or mid-level practitioners.
- Direct and indirect purchases of property and services used by organizations exempt from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code when such purchases are used in the collection, storage and distribution of food products to other nonprofit organizations operating programs that distribute such products on a charitable basis. An additional retroactive provision would authorize refunds of taxes collected on such purchases on an after July 1, 2005.
- Property and services purchased by or on behalf of TLC for Children and Families, Inc.; Catholic Charities; or Youthville (charitable family providers) used for the purpose of providing emergency shelter and treatment for abused and neglected children as well as meeting additional critical needs for children, juveniles and family. An additional exemption would be extended

*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>

to all sales by or on behalf of charitable family providers for such purpose. Finally, a third exemption would apply to certain purchases of property and services made by contractors for the purpose of constructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for the operation of services by charitable family providers.

- Sales and purchases of property and services purchased by or on behalf of certain homeless shelters for the purpose of emergency and transitional housing for individuals and families experiencing homelessness.

Additional exemptions would be provided for purchases of tangible personal property and sales of tangible personal property by or on behalf of:

- Community Housing of Wyandotte County, Inc., for the purpose of rebuilding urban core neighborhoods through the construction of new homes, acquiring and renovating existing homes and other related activities, and promoting economic development in such neighborhoods;
- The Cross-Lines Cooperative Council for the purpose of providing social services to low income individuals and families;
- The Lyme Association of Greater Kansas City, Inc., for the purpose of providing support to persons with lyme disease and public education relating to the prevention, treatment and cure of lyme disease;
- The Kansas Specialty Dog Service, Inc., for the purpose of promoting the independence and inclusion of people with disabilities as fully participating and contributing members of their communities and society through the training and providing of guide and service dogs to people with disabilities, and providing disability education and awareness to the general public;
- The Dreams Work, Inc., for the purpose of providing young adult day services to individuals with developmental disabilities and assisting families in avoiding institutional or nursing home care for a developmentally disabled member of their family; and

- The Marillac Center, Inc., for the purpose of providing psychosocial-biological and special education services to children, and all sales of any such property by or on behalf of such organization for such purpose.

The bill also would exempt all purchases of tangible personal property and services by the West Sedgwick County-Sunrise Rotary Club and Sunrise Charitable Fund for the purpose of constructing a boundless playground which is an integrated, barrier free and developmentally advantageous play environment for children of all abilities and disabilities.

An additional exemption would be provided for three years for cash rebates granted by a manufacturer to a purchaser or lessee of a new motor vehicle if paid directly to the retailer as a result of original sales. This exemption would sunset on June 30, 2009.

An exemption also would be extended to sales of property and services purchased by or on behalf of a county law library, as well as sales and services purchased by an organization which would have been exempt if such purchases had been made directly by the library for the purpose of providing legal resources to attorneys, judges, students and the general public.

The bill further would provide a sales tax exemption for property and services purchased by or on behalf of the Kansas Children's Service League for the purpose of providing for the prevention and treatment of child abuse and maltreatment as well as meeting additional critical needs for children, juveniles, and families.

The legislation also would provide a sales tax exemption for indirect purchases made through contractors of property and services for a project relating to restoring, constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling a home or facility owned by certain nonprofit museums.

Finally, the bill would exempt sales of tangible personal property by or on behalf of public libraries serving the general public and supported in whole or in part with tax money or not-for-profit organizations whose purpose is to raise funds for or provide services or other benefits to such libraries.

Food Sales Tax Rebate Program

The bill also would expand the food sales tax rebate program by providing that the rebate amounts (currently \$36 and \$72) be indexed for inflation beginning in tax year 2006.

Conference Committee Action

The Conference Committee on May 5 agreed to retain many of the bill's provisions as it had been amended by the House Committee of the Whole, except that exemptions for precision farm machinery and equipment and a sales tax "holiday" were removed; and the car rebate exemption was given a three-year sunset. Additional exemptions from House Sub. for HB 2689 and SB 585 also were added. A modified food sales tax rebate expansion relative to the version in HB 2972 was also included.

Background

Based on the latest information available, the bill would be expected to have the following fiscal impact:

(\$ in millions)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	Total thru <u>FY 2013</u>
Car rebates	(\$9.900)	(\$11.178)	(\$11.569)	(\$0.998)	\$0.000	\$0.000	\$0.000	(\$33.645)
All other exemptions	(\$1.402)	(\$1.470)	(\$1.522)	(\$1.575)	(\$1.630)	(\$1.687)	(\$1.746)	(\$11.031)
Total exemptions	(\$11.302)	(\$12.648)	(\$13.091)	(\$2.573)	(\$1.630)	(\$1.687)	(\$1.746)	(\$44.676)
State General Fund	(\$10.492)	(\$11.097)	(\$11.485)	(\$2.257)	(\$1.430)	(\$1.480)	(\$1.532)	(\$39.773)
State Highway Fund	(\$0.810)	(\$1.551)	(\$1.605)	(\$0.316)	(\$0.200)	(\$0.207)	(\$0.214)	(\$4.903)
Food sales rebates	(\$1.400)	(\$2.800)	(\$4.200)	(\$5.600)	(\$7.000)	(\$8.400)	(\$9.800)	(\$39.200)
SGF Total	(\$11.892)	(\$13.897)	(\$15.685)	(\$7.857)	(\$8.430)	(\$9.880)	(\$11.332)	(\$78.973)
Net state impact	(\$12.702)	(\$15.448)	(\$17.291)	(\$8.173)	(\$8.630)	(\$10.087)	(\$11.546)	(\$83.876)

food and sales tax exemptions