

REVISED
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SUPPLEMENTAL NOTE ON SENATE BILL NO. 404

As Amended by House Committee of the Whole

Brief*

SB 404, as amended, would provide sales tax exemptions 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., 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 families.
- 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

*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>

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 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.

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.

Beginning in 2006, a sales tax “holiday” exemption would apply from the first Thursday through first Sunday in August for certain sales of clothing and computer software with a taxable value of \$300 or less; school supplies not exceeding \$100 per purchase; and all personal computers or computer peripheral devices not exceeding \$2,000.

The bill also would broaden the exemption for farm machinery and equipment by extending the exemption to “precision farming equipment” that is installed or purchased to be installed on farm machinery and equipment, including tractors, harvesters, sprayers, planters, seeders, spreaders, and all-terrain vehicles. Farm machinery and equipment would be further defined to include computers, sensors, software and related equipment used primarily in the computer-assisted operation of production agriculture facilities, equipment and activities. “Precision farming equipment” would be defined to include soil testing sensors, yield monitors, computers, monitors, software, global positioning and mapping systems, guiding systems, modems, data communications equipment, and any necessary mounting hardware, wiring and antennas.

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.

Background

The original bill dealt only with the food distribution program exemption issue. The Department of Revenue indicated that the original FY 2007 fiscal note of \$0.1 million did not include the impact of the refund provision, estimated to be an additional \$0.1 million.

The Senate Committee amended the bill to extend the exemption to certain services (as well as property) purchased by the food distribution organizations; to incorporate the provisions of SB 489

relating to the sales tax exemption for the Special Olympics entity (and to extend that proposed exemption to services as well as property); and to include the exemption for certain dietary supplements purchased pursuant to prescription orders.

The House Committee amended the bill to incorporate all other provisions hereinbefore described (which were also contained in HB 2080 as amended by the House Tax Committee; SB 585; HB 2866; and HB 2640).

The House Committee of the Whole amended the bill to add the exemptions for precision farming equipment; the law library; and the sales tax holiday. The House Committee of the Whole also amended the bill to remove a requirement that public libraries comply with provisions of the Children's Internet Protection Act in order to receive the exemption.

The Department of Revenue on March 20 revised the fiscal note downward by about \$1 million relative to the provisions of HB 2640. The Department on March 24 estimated the FY 2007 impact of the precision farm machinery and equipment exemption to be \$5.2 million; and the sales tax holiday to be \$3.6 million.

Based on the latest information available from the Department of Revenue, the bill would be expected to reduce sales and use tax receipts as follows:

(\$ in millions)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>5 yr Total</u>
SenVersion	-\$0.225	-\$0.141	-\$0.146	-\$0.151	-\$0.156	-\$0.820
HB 2080	-\$0.177	-\$0.200	-\$0.207	-\$0.214	-\$0.222	-\$1.019
HB 2640	-\$9.900	-\$11.178	-\$11.569	-\$11.974	-\$12.393	-\$57.015
SB 585	-\$0.160	-\$0.181	-\$0.187	-\$0.194	-\$0.200	-\$0.921
HB 2866	-\$0.100	-\$0.113	-\$0.117	-\$0.121	-\$0.125	-\$0.576
Precision	-\$5.200	-\$5.871	-\$6.077	-\$6.289	-\$6.510	-\$29.947
Holiday	-\$3.700	-\$4.178	-\$4.324	-\$4.475	-\$4.632	-\$21.308
Total	-\$19.462	-\$21.861	-\$22.627	-\$23.419	-\$24.238	-\$111.607
SGF	-\$18.067	-\$19.180	-\$19.852	-\$20.546	-\$21.266	-\$98.911
SHF	-\$1.395	-\$2.681	-\$2.775	-\$2.872	-\$2.973	-\$12.696

The fiscal impact of the House Committee of the Whole amendment relating to law libraries is minimal. The Department of

Revenue also has indicated that because definitions in the holiday amendment are not compliant with the multi-state Streamlined Sales Tax Agreement, an additional \$12 million in voluntary compliance receipts could be imperilled.