



Adam Proffitt, Director

Laura Kelly, Governor

January 25, 2022

The Honorable Adam Smith, Chairperson
 House Committee on Taxation
 Statehouse, Room 346-S
 Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2482 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2482 is respectfully submitted to your committee.

Under current law, motor vehicles rented or leased for less than 28 days are subject to a 3.5 percent excise tax and the retail sales tax. HB 2482 would provide a retail sales tax exemption for motor vehicles rented or leased for less than 28 days beginning on July 1, 2022.

Estimated State Fiscal Effect				
	FY 2022 SGF	FY 2022 All Funds	FY 2023 SGF	FY 2023 All Funds
Revenue	--	--	(\$6,000,000)	(\$7,200,000)
Expenditure	--	--	\$1,200	\$1,200
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2482 would decrease state revenues by \$7.2 million in FY 2023. Of that total, the State General Fund is estimated to decrease by \$6.0 million in FY 2023, while the State Highway Fund is estimated to decrease by \$1.2 million in FY 2023. 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. The fiscal effect to state revenues during subsequent years would be as follows:

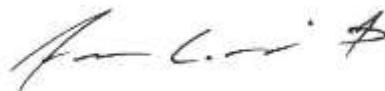
	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	(\$6,100,000)	(\$6,300,000)
State Highway Fund	<u>(1,200,000)</u>	<u>(1,200,000)</u>
	(\$7,300,000)	(\$7,500,000)

To formulate these estimates, the Department of Revenue reviewed rental cars tax collections data. In FY 2021, collections from the excise tax totaled approximately \$3.7 million and collections from the retail sales tax totaled approximately \$6.9 million. Based on FY 2021 collections, the Department estimates that this new sales tax exemption would reduce state revenues by \$7.2 million in FY 2023. The Department indicates that the bill would require \$1,200 from the State General Fund in FY 2023 to update sales tax forms and publications.

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.

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 2482 is not reflected in *The FY 2023 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Brendan Yorkey, Department of Transportation
Wendi Stark, League of Municipalities
Jay Hall, Association of Counties