

January 26, 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 2494 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2494 is respectfully submitted to your committee.

HB 2494 would provide a sales tax exemption for DCCCA, Inc. for the purpose of furthering the mission, vision, values, and goals of the organization. The sales tax exemption would also be extended for any contractor hired for the rehabilitation, construction, maintenance, repairing, enlarging, furnishing, or remodeling of facilities used for the operation of services for DCCCA, Inc. The bill includes reporting requirements for contractors and penalties for the use of the sales tax exemption that is determined to not be part of this project which would be punishable as a misdemeanor. The sales tax exemption would become effective on July 1, 2022.

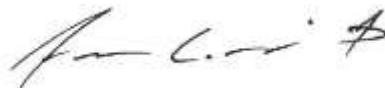
Estimated State Fiscal Effect				
	FY 2022 SGF	FY 2022 All Funds	FY 2023 SGF	FY 2023 All Funds
Revenue	--	--	(\$417,300)	(\$497,800)
Expenditure	--	--	\$1,800	\$1,800
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2494 would decrease state revenues by \$497,800 in FY 2023. Of that total, the State General Fund is estimated to decrease by \$417,300 in FY 2023, while the State Highway Fund is estimated to decrease by \$80,500 in FY 2023. This bill also is estimated to decrease local revenues by \$214,300 in FY 2023.

To formulate these estimates, the Department of Revenue reviewed data provided by the organization. Reviewing annual expenditures that would be subject to sales taxation, the bill would reduce state revenues by approximately \$179,000 annually, including \$150,000 from the State General Fund and \$29,000 from the State Highway Fund. Local sales tax revenue would be reduced annually by approximately \$77,000. Data provided by the organization shows that the organization plans two construction projects for calendar years 2022 and 2023, and estimates that those projects by themselves would reduce state retail sales tax by approximately \$318,800, including \$267,300 from the State General Fund and \$51,500 from the State Highway Fund. Local sales tax revenue would be reduced by \$137,300 specifically for the construction projects. While some of the reduction in state and local retail sales tax collections for the construction projects may be extended into FY 2024, the fiscal note assume that the reduction will occur in FY 2023. According to the Department of Revenue, reissuing sales tax publications and issuing tax entity exemption certificates would cost \$1,800 from the State General Fund in FY 2023.

The Kansas Department of Transportation indicates that the bill would reduce state revenues to the State Highway Fund, as noted above. 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 2494 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