

February 14, 2024

The Honorable Caryn Tyson, Chairperson
 Senate Committee on Assessment and Taxation
 300 SW 10th Avenue, Room 548-S
 Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 403 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 403 is respectfully submitted to your committee.

SB 403 would provide a sales tax exemption for Be Able, Inc. for the purpose of aiding vulnerable individuals and those dealing with adversity by creating coaching connections, cultivating practical skills, and opening doors of opportunity to break the cycle of poverty and build stability. The organization provides access to vital social and mental health services, housing, employment, transportation, food and clothing, the operation of a community and adult day center for those experiencing homelessness or seeking comfort, support, or assistance, and providing transitional housing. The sales tax exemption would also be extended to any contractor hired for constructing, maintaining, repairing, enlarging, furnishing, or remodeling any facilities for Be Able, 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 go into effect on July 1, 2024, but for purchases made on or after January 1, 2023, and prior to the effective date of the bill, the organization would be eligible to submit a sales tax refund request.

Estimated State Fiscal Effect			
	FY 2024	FY 2025	FY 2026
Expenditures			
State General Fund	--	--	--
Fee Fund(s)	--	\$1,800	--
Federal Fund	--	--	--
Total Expenditures	--		--
Revenues			
State General Fund	--	(\$5,500)	(\$1,600)
Fee Fund(s)	--	(1,200)	(350)
Federal Fund	--	--	--
Total Revenues	--	(\$6,700)	(\$1,950)
FTE Positions	--	--	--

The Department of Revenue estimates that SB 403 would decrease state revenues by \$6,700 in FY 2025. Of that total, the State General Fund is estimated to decrease by \$5,500 in FY 2025, while the State Highway Fund is estimated to decrease by \$1,200 in FY 2025. This bill is also 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:

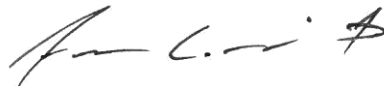
	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
State General Fund	(\$1,600)	(\$1,600)	(\$1,600)	(\$1,600)
State Highway Fund	<u>(350)</u>	<u>(350)</u>	<u>(350)</u>	<u>(350)</u>
	(\$1,950)	(\$1,950)	(\$1,950)	(\$1,950)

To formulate these estimates, the Department of Revenue reviewed data from Be Able, Inc., which reported a 2023 capital improvement project with an estimated state sales tax expenditure of \$4,750, including \$3,900 from the State General Fund and \$850 from the State Highway Fund, which would be eligible for a refund request. Based on information received by the organization, the bill is estimated to result in annual state sales tax reduction of \$1,950, including \$1,600 from the State General Fund and \$350 from the State Highway Fund. For FY 2025, the bill is estimated to reduce state sales tax revenue by \$6,700 by refunding the organization's previously paid sales taxes after January 1, 2023, and for normal expenditures in FY 2025. According to the Department of Revenue, reissuing sales tax publications and revising forms would cost \$1,800 from the State General Fund in FY 2025.

The Kansas Department of Transportation (KDOT) indicates that the bill would reduce state revenues to the State Highway Fund as noted above. Any fiscal effect associated with SB 403 is not reflected in *The FY 2025 Governor's Budget Report*.

The Kansas Association of Counties and the League of Kansas Municipalities indicate the bill would provide a net reduction to local sales tax collections that are used in part to finance local governments. This bill has the potential to reduce revenues that are pledged to repay STAR bond projects; however, it is unknown what impact the bill would have on the viability of those projects.

Sincerely,



Adam C. Proffitt
Director of the Budget

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