



March 6, 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 520 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 520 is respectfully submitted to your committee.

SB 520 would provide a sales tax exemption for all not-for-profit organizations that operate and administer public transportation services. The sales tax exemption would become effective on July 1, 2024.

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	--	(\$62,500)	(\$68,000)
Fee Fund(s)	--	(13,500)	(15,000)
Federal Fund	--	--	--
Total Revenues	--	(\$76,000)	(\$83,000)
FTE Positions	--	--	--

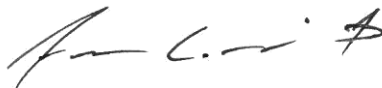
The Department of Revenue estimates that SB 520 would decrease state revenues by \$76,000 in FY 2025 and by \$83,000 in FY 2026. Of those totals, the State General Fund is estimated to decrease by \$62,500 in FY 2025 and by \$68,000 in FY 2026, while the State Highway Fund is estimated to decrease by \$13,500 in FY 2025 and by \$15,000 in FY 2026. 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.

To formulate these estimates, the Department of Revenue reviewed data from the Kansas Department of Transportation (KDOT), which reports that of 66 providers surveyed, ten organizations reported that they are not exempt from sales taxation. Of the remaining provides, it is estimated that the bill would reduce state sales tax on purchases of tangible personal property and services by \$76,000 in FY 2025 and \$83,000 in FY 2026. 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.

KDOT indicates that the bill would reduce state revenues to the State Highway Fund as noted above. Any fiscal effect associated with SB 520 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