

SESSION OF 2017

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2380**

As Amended by House Committee of the Whole

**Brief\***

HB 2380, as amended, would authorize Marion County to impose, subject to the approval of voters, an additional local sales tax of 0.5 percent earmarked for property tax relief, economic development initiatives, and certain public infrastructure projects. Any such tax imposed would be granted an exception from the normal countywide sales tax distribution formula that requires receipts to be shared with cities in the respective county.

Additional provisions of the bill would extend the sales and local sales tax bases to certain previously untaxed services, effective July 1, 2017. Services subject to the tax would include motor vehicle towing; mini-warehouse and self-storage; collection agencies; investigation; security guards and patrol; security systems (excluding locksmiths); certain non-residential cleaning; and certain pet care (excluding veterinarians).

On July 1, 2020, the state sales tax on food and food ingredients would be reduced from the current 6.5 percent rate to 5.5 percent. This tax reduction would apply to bottled water, but would not apply to alcoholic beverages, tobacco, candy, dietary supplements, soft drinks, or food sold through vending machines.

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\*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>

## Background

Marion County voters approved a special sales tax of 0.5 percent in 2011 that will sunset in 2018, when its jail and law enforcement facility has been paid off. Proponents of the bill testifying before the House Committee on Taxation, including Representative Schroeder and the Marion County Clerk, said the county has a number of additional needs and seeks voter approval to leave the additional 0.5 percent tax in place. Proponents noted the original statutory authorization, which required funds to be earmarked for a jail, courthouse, or a law enforcement facility, would not cover the county's newly proposed uses. No other testimony was provided.

On May 12, the House Committee of the Whole added provisions relating to extending the tax to a number of previously untaxed services on July 1, 2017, and reducing the sales tax rate on food beginning July 1, 2020.

According to the fiscal note prepared by the Division of the Budget, the bill, as introduced, would have no impact on state revenues. The latest fiscal information available from the Department of Revenue indicated that the House Committee of the Whole version of the bill would be expected to have the following impact on state sales tax receipts to the State General Fund (SGF) and State Highway Fund.

(\$ in millions)

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>5-year Total</u>
<b>Total</b>	\$52.254	\$57.517	\$58.524	\$(0.690)	\$(6.275)	<b>\$161.330</b>
<b>SGF</b>	\$43.813	\$48.226	\$49.070	\$(0.579)	\$(5.261)	<b>\$135.269</b>
<b>SHF</b>	\$8.441	\$9.291	\$9.454	\$(0.111)	\$(1.014)	<b>\$26.061</b>