

February 20, 2019

The Honorable Steven Johnson, Chairperson
House Committee on Taxation
Statehouse, Room 185-N
Topeka, Kansas 66612

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2267 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2267 is respectfully submitted to your committee.

HB 2267 would provide a sales tax exemption for purchases of tangible personal property and services made to construct, reconstruct, repair, or replace any fence used to enclose land devoted to agricultural use.

Estimated State Fiscal Effect				
	FY 2019 SGF	FY 2019 All Funds	FY 2020 SGF	FY 2020 All Funds
Revenue	--	--	(\$2,100,000)	(\$2,500,000)
Expenditure	--	--	\$1,800	\$1,800
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2267 would decrease state revenues by \$2.5 million in FY 2020. Of that total, the State General Fund is estimated to decrease by \$2.1 million in FY 2020, while the State Highway Fund is estimated to decrease by \$400,000 in FY 2020. 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 Department of Revenue indicates that this bill would have a similar fiscal effect in future fiscal years.

To formulate these estimates, the Department of Revenue reviewed data from the U.S. Department of Agriculture (USDA). According to the USDA Agricultural Statistics Service, Kansas has 15.5 million acres of pastureland. This estimate assumes that each square mile of this

land is fenced and that 5.0 percent is replaced annually. According to Iowa State University Extension and Outreach, it costs \$1.48/foot to construct a barbed wire fence. Based on these estimates, an exemption on fencing materials in Kansas would result in an annual state sales tax reduction of \$2.5 million. The actual impact of exempting fencing materials would likely vary from year to year with variations in the materials used to construct fencing and the unpredictability of Kansas weather, wildlife, and other factors which may cause damage or destruction to fences. According to the Department of Revenue, reissuing sales tax publications would cost \$1,800 from the State General Fund in FY 2020.

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, known as T-WORKS.

The Department of Agriculture indicates that the bill would have no fiscal effect on its operations. The Department indicates that bill would reduce costs incurred by farmers and ranchers for constructing, repairing, or replacing fencing used for agricultural purposes, including fencing damaged or destroyed by wildfires.

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 2267 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. L. Campbell". The signature is fluid and cursive, with a large initial "L" and "C".

Larry L. Campbell
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Ben Cleeves, Transportation
Chardae Caine, League of Municipalities
Jay Hall, Association of Counties
Kellen Liebsch, Agriculture