

February 8, 2021

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 112 by Senator Pittman

In accordance with KSA 75-3715a, the following fiscal note concerning SB 112 is respectfully submitted to your committee.

SB 112 would provide a sales tax exemption for farm products sold at a farmers' market. The bill lists the farm products that would qualify for this sales tax exemption, including fresh fruits; vegetables; mushrooms; nuts; eggs; honey or other bee products; maple syrup or maple sugar; flowers; nursery stock and other horticultural commodities; livestock food products, including meat, milk, cheese and other dairy products; food products of aquaculture, including fish, oysters, clams, mussels, and other molluscan shellfish taken from the waters of the state; products from any tree, vine, plant, and flower; or any of the products that have been processed, including baked goods made with farm products. The bill also includes a definition of a farmers' market.

Estimated State Fiscal Effect				
	FY 2021 SGF	FY 2021 All Funds	FY 2022 SGF	FY 2022 All Funds
Revenue	--	--	(\$189,000)	(\$225,000)
Expenditure	--	--	\$1,200	\$1,200
FTE Pos.	--	--	--	--

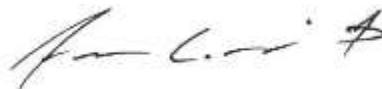
The Department of Revenue estimates that SB 112 would decrease state revenues by \$225,000 in FY 2022. Of that total, the State General Fund is estimated to decrease by \$189,000 in FY 2022, while the State Highway Fund is estimated to decrease by \$36,000 in FY 2022. This bill also is estimated to decrease 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 the decrease in state sales tax revenues could increase to approximately \$375,000 per year if the term common marketplace in the farmers' market definition also includes farm-to-table operations, including certain food cooperatives. According to the Department, reissuing sales tax publications and to develop notices and guidance to taxpayers on the administration of the sales tax exemption would cost \$1,200 from the State General Fund in FY 2022.

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.

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 SB 112 is not reflected in *The FY 2022 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
Ben Cleeves, Transportation
Wendi Stark, League of Municipalities
Jay Hall, Association of Counties