

February 16, 2023

The Honorable Adam Smith, Chairperson
House Committee on Taxation
300 SW 10th Avenue, Room 346-S
Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2416 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2416 is respectfully submitted to your committee.

HB 2416 would provide a sales tax exemption for organizations operating as an Area Agency on Aging for the purpose of coordinating and providing seniors and those living with disabilities with services that promote person-centered care, including home-delivered meals, congregate meal settings, long-term case management, transportation, information, assistance, and other preventative and intervention services to help service recipients to remain in their homes and communities. The sales tax exemption would also be extended to any contractor hired for the construction, equipment, maintenance, repairing, enlarging, furnishing, or remodeling of facilities used for the operation of services for an Area Agency on Aging. 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 bill would be effective July 1, 2023.

Estimated State Fiscal Effect				
	FY 2023 SGF	FY 2023 All Funds	FY 2024 SGF	FY 2024 All Funds
Revenue	--	--	(\$280,000)	(\$337,000)
Expenditure	--	--	\$1,200	\$1,200
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2416 would decrease state revenues by \$337,000 in FY 2024. Of that total, the State General Fund is estimated to decrease by \$280,000, while the State Highway Fund is estimated to decrease by \$57,000. In FY 2025 and subsequent fiscal years, the bill is estimated to reduce state revenues by \$132,000, including a \$109,000 reduction from the State General Fund and a \$23,000 reduction from the State Highway Fund. 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 on Area Agencies on Aging. That data shows that there are currently 11 agencies in the state, including eight that are not already associated with a sales tax-exempt organization. Based on this information, it is estimated that the sales tax exemption would result in an annual reduction of approximately \$125,000 in state sales tax collections. According to the Department of Revenue, reissuing sales tax publications and issuing tax entity exemption certificates would cost \$1,200 from the State General Fund in FY 2024. The Kansas Department of Transportation indicates that the bill would reduce state revenues to the State Highway Fund, as noted above. Any fiscal effect associated with HB 2416 is not reflected in *The FY 2024 Governor's Budget Report*.

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.

Sincerely,



Adam Proffitt
Director of the Budget

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