

SESSION OF 2014

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2607

As Amended by House Committee on Taxation

Brief*

HB 2607, as amended, would provide a four-day state and local sales tax holiday beginning in 2015 for certain sales of clothing, clothing accessories or equipment having a taxable value of \$300 or less; school supplies, instructional materials or art supplies not to exceed \$100 per item; pre-written computer software with a taxable value of \$300 or less; and personal computers or school computer supplies not to exceed \$2,000. The holiday would run each year, beginning in 2015, from the first Thursday in August through the subsequent Sunday.

Additional provisions would clarify and define the types of property and transactions that would qualify for the exemption pursuant to language that is in compliance with the multi-state Streamlined Sales and Use Tax Agreement (SSUTA).

Background

The original bill proposed to enact the exemption without the specific definitions designed to bring a sales tax holiday in compliance with SSUTA. The Department of Revenue's fiscal note indicated that \$42.7 million of sales and use tax collections would be jeopardized in FY 2015 as a result of non-compliance with SSUTA to the extent that Kansas could no longer assume continued voluntary remittances currently received from certain out-of-state retailers.

*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>

The House Taxation Committee on March 19 amended the bill to insert the SSUTA-compliant provisions and to decelerate the initial holiday from August 2014 to August 2015. (An email communication from the Department of Revenue also had indicated that in order for a holiday to occur in 2014 and be SSUTA-compliant, timing requirements would necessitate that the legislation be signed into law by May 1, 2014.)

A representative of the Department of Revenue stated that the fiscal impact on State General Fund (SGF) and State Highway Fund (SHF) receipts would be as follows:

(\$ in millions)

	<u>Total</u>	<u>SGF</u>	<u>SHF</u>
FY 2015	\$ ---	\$ ---	\$ ---
FY 2016	(5.68)	(4.71)	(0.97)
FY 2017	(5.89)	(4.88)	(1.01)
FY 2018	(6.11)	(5.07)	(1.04)
FY 2019	(6.34)	(5.26)	(1.08)
5-yr total	\$ (24.02)	\$ (19.92)	\$ (4.10)