

January 21, 2015

The Honorable Les Donovan, Sr., Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Donovan:

SUBJECT: Fiscal Note for SB 29 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 29 is respectfully submitted to your committee.

Under current law, the Department of Revenue retains 2.0 percent of all community improvement district sales taxes that are collected up to a maximum of \$60,000 per fiscal year to reimburse the Department for the administration and enforcement expenses of this program. SB 29 would remove the \$60,000 cap.

The Department of Revenue estimates that SB 29 would increase revenues to the Community Improvement District Sales Tax Administration Fund by \$60,000 in FY 2016. The Department indicates the total number of community improvement districts has grown to 56, and will continue to grow, as this program is very popular with municipalities and developers. Until the \$60,000 current statutory cap is reached each fiscal year, the Department must make complex calculations for each district distribution, in order to properly and proportionally allocate the administrative fee among the districts. The Department indicates the elimination of the \$60,000 cap will simplify the distribution process as well as increase the amount that the Department can retain to cover its rising costs to administer this expanding program.

The League of Kansas Municipalities indicates the bill would reduce local sales tax revenue for cities that use a community improvement district sales tax. The League indicates that the retention of additional sales tax funds by the state reduces funds available to the city to

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pay down principal and interest on development costs, extends the payback time, and increases interest costs. Any fiscal effect associated with SB 29 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Jack Smith, Department of Revenue
Larry Baer, League of Municipalities
Melissa Wangemann, Association of Counties