

March 6, 2017

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

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2261 by Representative Corbet, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2261 is respectfully submitted to your committee.

HB 2261 would provide a sales tax exemption to a veterans service organization for the purpose of providing reintegration, health, and financial support for military, veterans, and their families. The bill would exempt from sales tax all sales and purchases of tangible personal property and services made by or on behalf of a veterans service organization.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	(\$168,000)	(\$200,000)	(\$168,000)	(\$200,000)
Expenditure	\$1,200	\$1,200	--	--
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2261 would decrease state revenues by \$200,000 in both FY 2018 and FY 2019. Of those totals, the State General Fund is estimated to decrease by \$168,000 in both FY 2018 and FY 2019, while the State Highway Fund is estimated to decrease by \$32,000 in both FY 2018 and FY 2019. This bill is also estimated to decrease local sales tax revenues by \$66,000 in both FY 2018 and FY 2019.

To formulate these estimates, the Department of Revenue reviewed data on sales tax collections from the two major veterans service organizations in Kansas: the American Legion and the Veterans of Foreign Wars (VFW). The Department indicated that there are 288

The Honorable Steven Johnson, Chairperson

March 6, 2017

Page 2—HB 2261

American Legion posts and 122 VFW posts currently operating in Kansas. According to the Department of Revenue, reissuing sales tax publications and issuing the tax entity exemption certificates would cost \$1,200 from the State General Fund in FY 2018.

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 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 2261 is not reflected in *The FY 2018 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: Lynn Robinson, Department of Revenue
Ben Cleeves, Transportation
Brock Ingmire, League of Municipalities
Melissa Wangemann, Association of Counties