March 21, 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 2384 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2384 is respectfully submitted to your committee.

HB 2384 would remove the existing sales tax exemption for the fees, charges, dues, and memberships for participation in sports, games, and recreational activities that are operated by a non-profit organization or a youth recreational organization beginning on July 1, 2017. The bill would require that sales taxes would be applied to the following services identified by their North American Industry Classification System Code beginning on January 1, 2018:

1. 488410 – Motor Vehicle Towing;
2. 561611 – Investigation Services;
3. 561612 – Security Guards and Patrol Services;
4. 561621 – Security Systems Services (except Locksmiths);
5. 561720 – Janitorial Services (specifically non-residential cleaning services);
6. 812111 – Barber Shops;
7. 812112 – Beauty Salons;
8. 812113 – Nail Salons;
9. 812199 – Other Personal Care Services;
10. 812910 – Pet Care (except Veterinary) Services;
11. 812930 – Parking Lots and Garages; and
12. 812990 – All Other Personal Services (specifically dating services).

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<tr>
<th>Estimated State Fiscal Effect</th>
<th>FY 2018 SGF</th>
<th>FY 2018 All Funds</th>
<th>FY 2019 SGF</th>
<th>FY 2019 All Funds</th>
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</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$21,550,000</td>
<td>$25,700,000</td>
<td>$43,430,000</td>
<td>$51,800,000</td>
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<tr>
<td>Expenditure</td>
<td>$1,200</td>
<td>$1,200</td>
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The Department of Revenue estimates that HB 2384 would increase state revenues by $25.7 million in FY 2018 and by $51.8 million in FY 2019. Of those totals, the State General Fund is estimated to increase by $21,550,000 in FY 2018 and by $43,430,000 in FY 2019, while the State Highway Fund is estimated to increase by $4,150,000 in FY 2018 and by $8,370,000 in FY 2019. This bill also is estimated to increase local revenues by $6.4 million in FY 2018 and by $12.9 million in FY 2019. According to the Department, reissuing sales tax publications, revising exemption certificates, and notifying organizations would cost $1,200 from the State General Fund in FY 2018.

The Kansas Department of Transportation (KDOT) indicates that the bill would increase state revenues to the State Highway Fund as noted above. KDOT indicates the bill would provide additional funding for 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 increase to local sales tax collections that are used in part to finance local governments. Any fiscal effect associated with HB 2384 is not reflected in The FY 2018 Governor’s Budget Report.

Sincerely,

Shawn Sullivan,
Director of the Budget

cc: Lynn Robinson, Department of Revenue
    Ben Cleeves, Transportation
    Larry Baer, League of Municipalities
    Melissa Wangemann, Association of Counties