

June 8, 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 2428 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2428 is respectfully submitted to your committee.

HB 2428 would repeal all sales tax exemptions beginning in FY 2021, with the following exceptions:

1. Purchases made directly by the State of Kansas, a political subdivision other than a school or educational institution, public or private nonprofit hospital, public hospital authority, or nonprofit blood, tissue or organ bank;
2. Purchases by a contractor for the building or repair of buildings for a nonprofit hospital, elementary or secondary school or nonprofit education institution, or a state correctional institution with the use of a project exemption certificate;
3. Purchases by the federal government and its agencies or instrumentalities;
4. Sales, repair, parts and labor, or modification of aircraft sold for interstate commerce directly through an authorized agent;
5. Purchases by a groundwater management district;
6. Sales of materials and services used in the repairing, servicing, altering, maintaining, manufacturing, remanufacturing, or modification of railroad rolling stock used in interstate commerce;
7. Purchases by a port authority;
8. Sales of materials and services brought into Kansas for usage outside of Kansas for repair, service, alteration, maintenance, remanufacture or modification of liquid or natural gas pipeline used in interstate commerce;
9. Purchases made with food stamps issued by the United States Department of Agriculture;

10. Purchases made with vouchers issued pursuant to the Federal Special Supplemental Food Program for Women, Infants and Children (WIC);
11. Purchases made by a public broadcasting station licensed by the Federal Communications Commission as a non-commercial educational television or radio station;
12. Purchases made by or on behalf of a rural volunteer firefighting organization;
13. Purchases made during calendar year 1999 by a class II or III railroad (shortline) for track and facilities used directly in interstate commerce; and
14. Purchases made by a county law library.

The Department of Revenue estimates that HB 2428 would increase state revenues by approximately \$5.9 billion in each fiscal year starting in FY 2021. Of that total, the State General Fund is estimated to increase by \$4.9 billion, while the State Highway Fund is estimated to increase by \$1.0 billion. This bill also is estimated to increase local sales tax revenues; however, the specific estimate of higher local sales tax revenues was not calculated by the Department of Revenue. According to the Department of Revenue, reissuing sales tax publications and changes to forms would cost \$5,400 from the State General Fund in FY 2020.

The Kansas Department of Transportation indicates that the bill would increase state revenues to the State Highway Fund as noted above. The additional revenues would fund additional 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 increase to local sales tax collections that are used in part to finance local governments. Any fiscal effect associated with HB 2428 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget

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