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GOVERNOR JEFF COLYER, M.D.
LARRY L. CAMPBELL, CHIEF BUDGET OFFICER

March 7, 2018

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

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2671 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2671 is respectfully submitted to your committee.

HB 2671 would provide a sales tax exemption for Midland Care Connection, Inc. for the purpose of providing healthcare services to persons in the community. The sales tax exemption would be extended to any contractor hired for the construction of facilities for Midland Care Connection, Inc. The bill includes reporting requirements for contractors and penalties for the use of the sales tax exemption that is determined to not be part of a construction project for the organization, which would be punishable as a misdemeanor.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	--	(\$685,000)	(\$817,000)
Expenditure	--	--	\$1,200	\$1,200
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2671 would decrease state revenues by \$817,000 in FY 2019 and by \$362,000 in FY 2020. Of those totals, the State General Fund is estimated to decrease by \$685,000 in FY 2019 and by \$304,000 in FY 2020, while the State Highway Fund is estimated to decrease by \$132,000 in FY 2019 and by \$58,000 in FY 2020. This bill is also estimated to decrease local sales tax revenues by \$333,000 in FY 2019 and by \$148,000 in FY 2020. The Department of Revenue indicates that the majority of the construction costs for a new facility for Midland Care Connection, Inc. would occur in FY 2019. The fiscal effect in

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future fiscal years would be similar to the FY 2020 estimate after the construction of the new facility is completed. According to the Department of Revenue, reissuing sales tax publications and issuing the tax entity exemption certificate would cost \$1,200 from the State General Fund in FY 2019.

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 2671 is not reflected in *The FY 2019 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Chief Budget Officer

cc: Chardae Caine, League of Municipalities
Melissa Wangemann, Association of Counties
Lynn Robinson, Department of Revenue
Ben Cleaves, Transportation