

February 12, 2019

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

Dear Representative Johnson:

**SUBJECT:** Fiscal Note for HB 2134 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2134 is respectfully submitted to your committee.

HB 2134 would provide a sales tax exemption for nonprofit integrated community care organizations. In order to receive the sales tax exemption, the nonprofit integrated community care organization would be required to be exempt from federal income taxes, certified to participate in the Medicare Program as a hospice, and approved by the Kansas Department of Aging and Disability Services.

| Estimated State Fiscal Effect |                |                      |                |                      |
|-------------------------------|----------------|----------------------|----------------|----------------------|
|                               | FY 2019<br>SGF | FY 2019<br>All Funds | FY 2020<br>SGF | FY 2020<br>All Funds |
| Revenue                       | --             | --                   | (\$215,500)    | (\$257,000)          |
| Expenditure                   | --             | --                   | \$1,200        | \$1,200              |
| FTE Pos.                      | --             | --                   | --             | --                   |

The Department of Revenue estimates that HB 2134 would decrease state revenues by \$257,000 in FY 2020. Of that total, the State General Fund is estimated to decrease by \$215,500 in FY 2020, while the State Highway Fund is estimated to decrease by \$41,500 in FY 2020. This bill also is estimated to decrease local sales tax revenues; however, the specific estimate of lower local sales tax revenues was not calculated by the Department of Revenue. The Department of Revenue indicates that this provision would have a similar fiscal effect in future fiscal years.

The Department indicates that there is one known organization that would meet the definition of a nonprofit integrated community care organizations and would qualify for this sales tax exemption. 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 2020.

The Kansas Department of Transportation (KDOT) indicates that the bill would reduce state revenues to the State Highway Fund, as noted above. 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 2134 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink that reads "L. L. Campbell". The signature is written in a cursive style with a large, sweeping initial "L".

Larry L. Campbell  
Director of the Budget

cc: Lynn Robinson, Department of Revenue  
Ben Cleeves, Transportation  
Chardae Caine, League of Municipalities  
Jay Hall, Association of Counties