

February 15, 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 2195 by Representative Pittman, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2195 is respectfully submitted to your committee.

HB 2195 would provide a sales tax exemption for farm products sold at a farmers' market. The bill lists the farm products that would qualify for this sales tax exemption, including fresh fruits; vegetables; mushrooms; nuts; eggs; honey; maple syrup; flowers; nursery stock and other horticultural commodities; livestock food products, including meat, milk, cheese and other dairy products; food products of aquaculture, including fish, oysters, clams, mussels, and other molluscan shellfish taken from the waters of the state; products from any tree, vine, plant, and flower; or any of the products that have been processed, including baked goods made with farm products. The bill also includes a definition of a farmers' market.

Estimated State Fiscal Effect				
	FY 2019 SGF	FY 2019 All Funds	FY 2020 SGF	FY 2020 All Funds
Revenue	--	--	(\$189,000)	(\$225,000)
Expenditure	--	--	\$1,800	\$1,800
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2195 would decrease state revenues by \$225,000 in FY 2020. Of that total, the State General Fund is estimated to decrease by \$189,000 in FY 2020, while the State Highway Fund is estimated to decrease by \$36,000 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 the decrease in state sales tax revenues could increase to approximately

\$375,000 per year if the term common marketplace in the farmers' market definition also includes farm-to-table operations, including certain food cooperatives. According to the Department, reissuing sales tax publications and to develop notices and guidance to taxpayers on the administration of the sales tax exemption would cost \$1,800 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. 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 2195 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. L. Campbell". The signature is fluid and cursive, with a large initial "L" and a smaller "L." followed by "Campbell".

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