

February 24, 2021

The Honorable Adam Smith, Chairperson
House Committee on Taxation
Statehouse, Room 185A-N
Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2314 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2314 is respectfully submitted to your committee.

Under current law, retailers are required to prepay the first 15 calendar days of tax liability when paying their monthly sales taxes to the Department of Revenue if their annual tax liability exceeds \$40,000. HB 2314 would increase the prepay threshold filing amounts from \$40,000 to \$2.5 million on January 1, 2022 and eliminate the prepay requirement on January 1, 2023.

Estimated State Fiscal Effect				
	FY 2021 SGF	FY 2021 All Funds	FY 2022 SGF	FY 2022 All Funds
Revenue	--	--	(\$53,800,000)	(\$64,200,000)
Expenditure	--	--	\$93,323	\$93,323
FTE Pos.	--	--	--	1.00

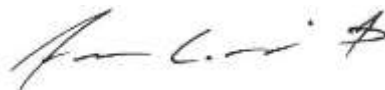
The Department of Revenue estimates that HB 2314 would decrease state revenues by \$64.2 million in both FY 2022 and FY 2023. Of those totals, the State General Fund is estimated to decrease by \$53.8 million in both FY 2022 and FY 2023, while the State Highway Fund is estimated to decrease by \$10.4 million in both FY 2022 and FY 2023. 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.

To formulate these estimates, the Department of Revenue reviewed data on sales tax collections. The Department indicates that the bill would move some filers from not prepaying the first 15 calendar days of tax liability when paying their monthly sales taxes to the Department of Revenue that would delay the collection of state and local sales tax revenues from FY 2022 to FY 2023. This would cause a one-time decrease in sales tax revenue when the change occurs in FY 2022. The state would collect the same amount of sales tax revenues, but revenue collections would shift to the next fiscal year. Once the prepay threshold is eliminated in FY 2023, then another one-time decrease of state and local sales tax revenue would be shifted from FY 2023 to FY 2024.

The Department indicates that the bill would require \$93,323 from the State General Fund in FY 2022 to implement the bill and to modify the sales tax IT system. The bill would require the Department to hire 1.00 new FTE position to update forms and publications and perform quality assurance testing. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department's current budget may be required.

The Kansas Department of Transportation 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 2314 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

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