

January 12, 2022

The Honorable Adam Smith, Chairperson
House Committee on Taxation
Statehouse, Room 346-S
Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2464 by Representative Waymaster, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2464 is respectfully submitted to your committee.

HB 2464 would provide a sales tax exemption for all purchases of tangible personal property and services made to reconstruct, repair, or replace any fence used to enclose land devoted to agricultural use that was damaged or destroyed by wildfires beginning retroactively to January 1, 2021. Any sales tax paid on qualified fence projects after January 1, 2021, would be refunded. Future qualifying fence projects would be issued a sales tax exemption certificate. The bill would take effect upon publication in the *Kansas Register*.

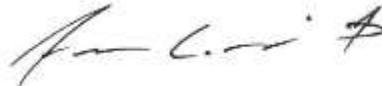
The Department of Revenue indicates that it does not have complete information to provide an estimate of the fiscal effect of HB 2464. The bill has the potential to reduce state and local sales tax collections beginning in FY 2022. In addition, the new expenditures to repair or replace property damaged by wildfires were not accounted for in the November 2021 Consensus Revenue Estimate. The reduction of sales tax collections would reduce revenues that are distributed to the State General Fund, State Highway Fund, and local governments.

According to the Kansas Division of Emergency Management (KDEM) over 160,000 acres were burned in December 2021 wildfires, impacting at least 12 counties. This equates to over 250 square miles. Assuming about 6.4 miles of fence (perimeter fencing and cross fencing) per square mile, potentially over 1,600 miles of fencing will need to be replaced. According to the Kansas State University Land Use Survey Center 2021 Bluestem Pasture Release, fence building rates are estimated at \$13,314 per mile. Fence replacement costs in the damaged areas are estimated at \$21.8 million. At a state sales tax rate of 6.5 percent, this would result in \$1.4 million in state sales tax not received by the state.

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.

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 2464 is not reflected in *The FY 2023 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
Brendan Yorkey, Department of Transportation
Wendi Stark, League of Municipalities
Jay Hall, Association of Counties
Kellen Liebsch, Agriculture