



February 16, 2023

REVISED

The Honorable Caryn Tyson, Chairperson
 Senate Committee on Assessment and Taxation
 300 SW 10th Avenue, Room 548-S
 Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Revised Fiscal Note for SB 54 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following revised fiscal note concerning SB 54 is respectfully submitted to your committee.

SB 54 would set the state sales tax rate on gas, water, electricity, heat, propane gas, LP-gas, coal, wood, and other fuel sources for the production of heat and lighting for any use at 0.0 percent beginning on July 1, 2024. The bill would allow local governments to continue to charge a retail sales tax on these utilities and fuel sources.

Estimated State Fiscal Effect				
	FY 2023 SGF	FY 2023 All Funds	FY 2024 SGF	FY 2024 All Funds
Revenue	--	--	--	--
Expenditure	--	--	\$81,189	\$81,819
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 54 would not have a fiscal effect on state revenues until FY 2025. The fiscal effect to state revenues during subsequent years would be as follows:

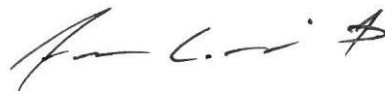
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
State General Fund	(\$42,300,000)	(\$46,400,000)	(\$46,600,000)	(\$47,000,000)
State Highway Fund	<u>(8,700,000)</u>	<u>(9,800,000)</u>	<u>(10,200,000)</u>	<u>(10,300,000)</u>
	(\$51,000,000)	(\$56,200,000)	(\$56,800,000)	(\$57,300,000)

To formulate these estimates, the Department of Revenue reviewed sales tax collections data from FY 2022 on these utilities and fuel sources. The Department indicates that it processes over 2,000 utility exemption requests each year and with only local taxes collected under the provisions of the bill, the Department notes that it may be burdensome to the state and utility providers to process claims that would only apply to local sales taxes.

The Department of Revenue indicates that it would require a total \$81,819 from the State General Fund in FY 2024 to implement the bill and to modify the automated tax system. In the original fiscal note issued, the table included the correct administration costs for the Department; however, the fiscal effect description included the wrong amount and fiscal year. The Department indicates it would be required to revise existing sales tax forms and publications and would create two new publications as a result of this bill. 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 (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 the bill would have no fiscal effect on local sales tax revenues. Any fiscal effect associated with SB 54 is not reflected in *The FY 2024 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 Kansas Municipalities
Jay Hall, Kansas Association of Counties