

March 18, 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 2399 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2399 is respectfully submitted to your committee.

Under current law, the Gove County Healthcare Endowment Foundation, Inc. has a sales tax exemption for the purpose of constructing and equipping an airport in Quinter, Kansas that expires on July 1, 2019. HB 2399 would extend the sunset date for this sales tax exemption to July 1, 2024.

Estimated State Fiscal Effect				
	FY 2019 SGF	FY 2019 All Funds	FY 2020 SGF	FY 2020 All Funds
Revenue	--	--	(\$10,900)	(\$13,000)
Expenditure	--	--	--	--
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2399 would decrease state revenues by \$13,000 in FY 2020. Of that total, the State General Fund is estimated to decrease by \$10,900 in FY 2020, while the State Highway Fund is estimated to decrease by \$2,100 in FY 2020. This bill is also estimated to decrease local sales tax revenues by approximately \$4,000 in FY 2020. The fiscal effect to revenues during subsequent years would be as follows:

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	(\$10,900)	(\$10,900)	(\$10,900)	(\$10,900)
State Highway Fund	(2,100)	(2,100)	(2,100)	(2,100)
Local Governments	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>
	(\$17,000)	(\$17,000)	(\$17,000)	(\$17,000)

To formulate these estimates, the Department of Revenue reviewed data from the Gove County Healthcare Endowment Foundation, Inc. on estimated total project costs of constructing and equipping the airport in Quinter, Kansas. The Foundation estimates that project costs will total approximately \$1.0 million over the next five years. Assuming that all of those costs are subject to sales tax, the exemption would result in a state sales tax reduction of \$65,000 over the next five years, including \$54,500 from the State General Fund and \$10,500 from the State Highway Fund. The exemption would also result in a decrease in local sales tax collections of \$20,000 over the five-year period. The Department of Revenue indicates that the costs to implement the bill would be negligible and could be absorbed within existing resources.

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 2399 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Campbell", written in a cursive style.

Larry L. Campbell
Director of the Budget

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