

SESSION OF 2022

SUPPLEMENTAL NOTE ON SENATE BILL NO. 354

As Amended by Senate Committee on
Assessment and Taxation

Brief*

SB 354, as amended, would exclude manufacturer's coupons from the sales price for purposes of retail sales and compensating use tax.

Background

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Tyson.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing on the bill, **proponent** testimony was proved by a private citizen. The proponent stated the bill would provide tax relief to individuals who use manufacturer's coupons and eliminate a tax that many consumers do not realize they are paying.

No other testimony was provided.

The Senate Committee amended the bill to limit the exclusion to only manufacturer's coupons and not all third-party compensation provided to retailers.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Department of

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Revenue estimates enactment of the bill would reduce state revenues by \$2.3 million per year in fiscal years 2023 through 2025 and such reductions would increase to \$2.4 million per year beginning in fiscal year 2026. Of that amount, \$1.9 million would be a reduction of State General Fund receipts and \$0.4 million would be a reduction of State Highway Fund receipts. The Kansas Association of Counties and League of Kansas Municipalities indicate the bill would result in a reduction of local sales and use tax receipts.

Additionally, the Department of Revenue indicates enactment of the bill has the potential to put the State out of compliance with the Streamlined Sales and Use Tax Agreement, which could imperil \$60.4 million of annual state receipts. The Streamlined Sales Governing Board is currently considering an amendment to the Agreement that would permit the exclusion.

Any fiscal effect associated with the bill is not reflected in *The FY 2023 Governor's Budget Report*.

Taxation; sales tax; manufacturer's coupons