

February 22, 2023

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: Fiscal Note for SB 227 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 227 is respectfully submitted to your committee.

SB 227 would allow movie theaters to retain the state sales tax collected on the admission charged for viewing movies or films and on concessions sold at the business. The business would be required to remit the local portion of the sales tax collected to the Department of Revenue. The eligible business would be able to retain the state sales tax collected beginning on July 1, 2023, through June 30, 2025.

Estimated State Fiscal Effect				
	FY 2023 SGF	FY 2023 All Funds	FY 2024 SGF	FY 2024 All Funds
Revenue	--	--	(\$3,200,000)	(\$3,800,000)
Expenditure	--	--	\$56,643	\$56,643
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 227 would decrease state revenues by \$3.8 million in FY 2024. Of that total, the State General Fund is estimated to decrease by \$3.2 million in FY 2024, while the State Highway Fund is estimated to decrease by \$600,000 in FY 2024. The Department indicates that similar results would also occur in FY 2025. Local sales tax revenues collected from movies or films and concessions sold at the business are not estimated to be affected under the provisions of this bill.

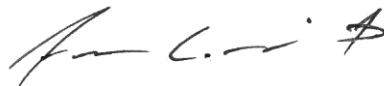
To formulate these estimates, the Department of Revenue reviewed sales tax data on movie theater businesses. State sales and use tax collections reported by movie theaters were \$3.8 million in calendar year 2021. Assuming that FY 2024 and FY 2025 movie theater collections will be similar to calendar year 2021 collections, the bill would reduce state sales and use tax collections by approximately \$3.8 million in each fiscal year.

The Department of Revenue indicates that it would require a total \$56,643 from the State General Fund in FY 2024 to update forms and publications and to modify the sales tax system. 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 fewer State Highway Fund dollars it may be required to make corresponding reductions to planned expenditures for projects funded under the comprehensive transportation plan. Any fiscal effect associated with SB 227 is not reflected in *The FY 2024 Governor's Budget Report*.

The Kansas Association of Counties and the League of Kansas Municipalities indicate that the bill would have no fiscal effect on local sales tax collections.

Sincerely,



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