

January 25, 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 41 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 41 is respectfully submitted to your committee.

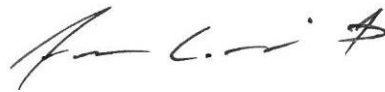
SB 41 would allow retailers to retain 1.5 percent of the retail sales and compensating use tax that they collect each month up to \$300. Any retailer that files a consolidated return for reporting retail sales and compensating use tax prior to January 1, 2023, would be subject to the \$300 per retailer limitation even if the retailer no longer files a consolidated return after that date.

The Department of Revenue estimates that SB 41 would decrease retail sales and compensating use tax collections by \$57.1 million in FY 2024 and would reduce collections by similar amounts in future fiscal years. The Department indicates that it is unclear if the entirety of the reduction is to be from state retail sales and compensating use tax collections or if the reduction is to be prorated between state and local collections.

The Department of Revenue indicates that it would require a total of \$137,208 from the State General Fund in FY 2024 to implement the bill, update forms and publications, and to make IT systems changes. 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.

If the reduction is to be prorated between state and local collections, then the Kansas Department of Transportation indicates that the bill would reduce state revenues to the State Highway Fund. If the reduction is to be prorated between state and local collections, then 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 SB 41 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