

REVISED
SESSION OF 2007

SUPPLEMENTAL NOTE ON SENATE BILL NO. 382

As Amended by Senate Committee of the Whole

Brief*

SB 382, as amended, would provide a sales tax exemption for the purchase of property and services by contractors for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling state correctional institutions, as well as privately constructed correctional institutions contracted for state use and ownership.

The bill also would provide a sales tax exemption for a number of not-for-profit groups, including the Dream Factory, Jazz in the Woods, Ottawa Suzuki Strings, Lions Clubs, Johnson County Young Matrons, the Frontenac Educational Foundation, the Booth Theatre Foundation, TLC Charities, the American Cancer Society, the Rotary Club of Shawnee Foundation, Victory in the Valley, the Angel Babies Association, and the Community Center of Shawnee.

All such groups except the Rotary Club of Shawnee Foundation would have both their sales and purchases exempt. That group would only have their purchases exempt. Two of the groups, TLC Charities and the Booth Theatre Foundation, also would have the exemption for their purchases extended to purchases made on their behalf by contractors.

Background

The original bill dealt with the issue of the exemption relative to purchases of property and services by contractors on behalf of state correctional institutions, as well as on behalf of correctional institutions contracted for state use.

*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>

The Senate Committee amended the bill to clarify that contractors would be responsible for payment of sales tax when materials had been purchased exempt from tax for use at the correctional facilities but later ended up being used for a non-exempt project; and to add the provisions relating to a number of not-for-profit groups.

The Senate Committee of the Whole amended the bill to include the exemptions for Victory in the Valley and the Angel Babies Association.

During the hearing, the Department of Revenue deferred to the Department of Corrections relative to the fiscal note on the original bill. The Department of Corrections said that while sales tax receipts would be reduced by an indeterminate amount, the state would be able to reduce expenditures by an even greater amount in the long run by not having to finance those costs associated with the tax through bonded indebtedness.

The Department of Revenue on March 28 revised the fiscal note associated with the Senate Committee of the Whole version of the bill.

The not-for-profit sales tax exemptions would combine to reduce receipts to the State General Fund (SGF), State Highway Fund (SHF), and local units levying sales taxes by the following amounts:

	(\$ in millions)				
	<u>SGF</u>	<u>SHF</u>	<u>State Total</u>	<u>Local Tax</u>	<u>State + Local</u>
FY 2008	(\$0.570)	(\$0.080)	(\$0.650)	(\$0.163)	(\$0.813)
FY 2009	(\$0.590)	(\$0.083)	(\$0.673)	(\$0.169)	(\$0.841)
FY 2010	(\$0.611)	(\$0.085)	(\$0.696)	(\$0.175)	(\$0.871)
FY 2011	(\$0.632)	(\$0.088)	(\$0.721)	(\$0.181)	(\$0.901)
FY 2012	(\$0.654)	(\$0.091)	(\$0.746)	(\$0.187)	(\$0.933)
5-year total	(\$3.058)	(\$0.427)	(\$3.486)	(\$0.874)	(\$4.360)