

SESSION OF 2023

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2106

As Amended by House Committee of the Whole

Brief*

HB 2106, as amended, would create a sales tax exemption for the purchase of equipment, machinery, or other infrastructure purchased for use in the provision of internet access service, telecommunications service, or video service and for the purchase of repair, maintenance, and installation services purchased by providers in the provision of such internet access service, telecommunications service, or video service.

The exemption would expire on July 1, 2028.

Background

The bill was introduced by the House Committee on Taxation at the request of a representative of AT&T.

House Committee on Taxation

In the House Committee hearing, **proponent** testimony was provided by representatives of AT&T, Brightspeed, and the Kansas Cable Telecommunications Association. Proponents generally stated the bill would enable them to maximize the use of recent state and federal assistance for broadband infrastructure. Written-only proponent testimony was provided by representatives of the Kansas Chamber of Commerce, T-Mobile, and WANRack.

*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>

Opponent testimony was provided by a representative of the League of Kansas Municipalities, generally stating the exemption would erode the local tax base and reduce the amount of sales tax revenues to local governments.

No other testimony was provided.

House Committee of the Whole

The House Committee of the Whole amended the bill to insert the July 1, 2028, expiration date of the exemption.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Department of Revenue estimates enactment of the bill would reduce state receipts by \$16.8 million in FY 2024, \$17.0 million in FY 2025, and \$17.1 million in FY 2026. Of those amounts \$13.9 million, \$14.0 million, and \$14.0 million, respectively, would be reductions to State General Fund receipts, and the respective balances would be reductions to State Highway Fund revenues.

The Kansas Association of Counties and League of Kansas Municipalities indicate the bill would reduce local sales tax collections, including revenues pledged to repay STAR bond projects.

Any fiscal effect associated with the bill is not reflected in *The FY 2024 Governor's Budget Report*.

Taxation; sales tax; exemption; communication service; broadband