

SESSION OF 2024

**SUPPLEMENTAL NOTE ON SUBSTITUTE FOR SENATE
BILL NO. 60**

As Amended by Senate Committee of the Whole

Brief*

Sub. for SB 60, as amended, would enact a back-to-school sales tax holiday and create several sales tax exemptions.

Back-to-School Sales Tax Holiday

The bill would provide for a sales tax exemption for the first Thursday in August through the following Sunday for purchases of back-to-school-related clothing, clothing accessories or equipment, school supplies, school instructional materials, school art supplies, computers, school computer supplies, and prewritten computer software, as those items are defined by the bill.

Clothing and clothing accessories or equipment would be limited to items with a sales price of \$300 or less. School supplies, school instructional materials, and school art supplies would be limited to items with a sales price of \$100 or less. Prewritten computer software would be limited to items with a sales price of \$300 or less. Computers and school computer supplies would be limited to items with a sales price of \$2,000 or less.

The bill would direct the application of the exemption under certain conditions for layaway sales, bundled sales, discounts, unit sales, rain checks, exchanges, deliveries

*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>

outside the time of the exemption, returns, and sales across multiple time zones.

Sales Tax Exemptions

The bill would provide a sales tax exemption for all sales of menstrual discharge collection devices and children's and adult diapers.

The bill would create a sales tax exemption for all sales of the services of slaughtering, butchering, custom cutting, dressing, processing, and packaging of an animal for human consumption when the animal is delivered or furnished by the customer, and the meat is for use or consumption by the customer.

The bill would exempt the Kansas State School for the Blind and Kansas State School for the Deaf from paying sales tax on purchases related to the building, maintenance, and enlargement of facilities used for human habitation.

The bill would create a sales tax exemption for sales by or on behalf of and purchases by or on behalf of the Johnson County Christmas Bureau Association for the purpose of providing food, clothing, cleaning supplies, personal care items, and other necessities to those in need and desiring assistance.

The bill would create a sales tax exemption for purchases by or on behalf of Doorstep, Inc., for the purpose of providing short-term emergency aid to families and individuals in need and providing information on services to promote long-term self-sufficiency.

The bill would provide a sales tax exemption, effective January 1, 2024, for Exploration Place, Inc., for the purpose of constructing, remodeling, furnishing, or equipping a riverfront amphitheater, a destination playscape, an education

center, and indoor renovations at Exploration Place in Wichita, Kansas.

The bill would also provide a sales tax exemption, effective January 1, 2024, for Kansas Children's Discovery Center, Inc., (KCDC) for the purpose of constructing, remodeling, furnishing or equipping a hands-on children's museum with a mission to enhance the lives of children and enrich the communities it serves. [Note: The Kansas Children's Discovery Center, Inc., is located in Topeka, Kansas.]

The exemptions for Exploration Place and KCDC would also apply to qualifying purchases made by any contractor hired for such projects and would sunset on December 31, 2030. For purchases made after January 1, 2024, but prior to the effective date of the bill, refunds of sales tax would be paid by the Department of Revenue.

Background

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

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by Senator Bowers and representatives of Kansas Farm Bureau and Kansas Livestock Association. The proponents stated the exemption is conceptually in line with the reduced state sales tax rate on food and supportive of expansion in an industry that is in high demand.

Written-only neutral testimony was provided by a representative of the Kansas Association of Counties.

No other testimony was provided.

On January 9, 2024, the bill was withdrawn from the Senate Calendar and rereferred to the Senate Committee on Assessment and Taxation.

Following discussion on January 24, 2024, the Senate Committee inserted the contents of SB 4, SB 22, and SB 129 and recommended the bill be passed as a substitute bill. Background information for those bills is provided below.

SB 4 (Kansas State Schools for the Blind and Deaf)

The bill was prefiled for introduction on December 27, 2022, by Senator Fagg.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by Senator Fagg, who stated the bill would result in savings to the State as it currently imposes the sales tax on itself in these transactions, resulting in local sales taxes also applying to the State.

Written-only proponent testimony was provided by a representative of the Olathe Chamber of Commerce.

No other testimony was provided.

SB 22 (Johnson County Christmas Bureau Association)

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

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by a private individual, who indicated she was a past recipient of the services provided by the organization and greatly benefited from the services and currently volunteers to serve the organization.

Written-only proponent testimony was provided by a representative of the Johnson County Christmas Bureau Association.

Written-only opponent testimony was provided by a representative of the Kansas Policy Institute.

No other testimony was provided.

SB 129 (Doorstep, Inc.)

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

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by Senator Kloos, who stated enactment of the bill would enable the organization to extend the impact of its contributions to the community it serves.

Written-only opponent testimony was provided by a representative of Americans for Prosperity – Kansas.

No other testimony was provided.

Senate Committee of the Whole

The Senate Committee of the Whole amended Substitute for SB 60 to insert provisions providing for the

back-to-school sales tax holiday, sales tax exemptions for menstrual discharge collection devices, diapers, and purchases by Exploration Place and Kansas Children's Discovery Center and their project contractors.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on **SB 60**, as introduced, the Department of Revenue estimates enactment of the bill would reduce state receipts by \$1.7 million in FY 2024 and by \$2.1 million in all future fiscal years. Of that amount, \$1.4 million in FY 2024 and \$1.7 million in all future years would be from the State General Fund and the balance would be from the State Highway Fund.

According to the fiscal note prepared by the Division of the Budget on **SB 4**, as introduced, the Department of Revenue estimates enactment of the bill would reduce state receipts by \$38,900 in FY 2024 and by a similar amount in all future fiscal years. Of that amount, \$32,600 would be from the State General Fund and the balance would be from the State Highway Fund. Additionally, the bill would reduce local sales tax collections by approximately \$17,700 per year.

According to the fiscal note prepared by the Division of the Budget on **SB 22**, as introduced, the Department of Revenue estimates enactment of the bill would reduce state receipts by \$7,500 in FY 2024 and by a similar amount in all future fiscal years. Of that amount, \$6,200 would be from the State General Fund and the balance would be from the State Highway Fund. Additionally, the bill would reduce local sales tax collections by approximately \$3,000 per year.

According to the fiscal note prepared by the Division of the Budget on **SB 129**, as introduced, the Department of Revenue estimates enactment of the bill would reduce state receipts by \$5,500 in FY 2024 and by a similar amount in all future fiscal years. Of that amount, \$4,500 would be from the

State General Fund and the balance would be from the State Highway Fund. Additionally, the bill would reduce local sales tax collections by approximately \$2,200 per year.

Upon creation of the substitute bill by the Senate Committee on Taxation, the Department of Revenue indicated the fiscal effect of SB 60, SB 4, SB 22, and SB 129 would remain the same, but would be shifted forward by one year.

According to the Department of Revenue, the sales tax exemption for menstrual discharge collection devices and diapers would reduce state receipts by \$8.7 million in FY 2025 and by \$9.5 million in FY 2026 and all future years. Of those amounts, \$7.2 million and \$7.8 million, respectively would be from the State General Fund and the balance would be from the State Highway Fund.

According to the Department of Revenue, the back-to-school sales tax holiday is expected to reduce state receipts by \$5.9 million per year. In FY 2025, \$4.8 million of that amount would be from the State General Fund and the balance would be from the State Highway Fund. In FY 2026 and all future years, \$4.9 million would be from the State General fund and the balance would be from the State Highway Fund.

According to the Department of Revenue, the sales tax exemption for Exploration Place would decrease state revenues by \$130,000 each fiscal year from FY 2025 through FY 2030. Of this amount, \$106,600 would be from the State General Fund and the balance from the State Highway Fund.

According to the Department of Revenue, the sales tax exemption for Kansas Children's Discovery Center would decrease state revenues by \$591,000 in FY 2025. Of that amount, \$485,000 would be from the State General Fund and the balance from the State Highway Fund.

The fiscal effect associated with back-to-school sales tax holiday is reflected in *The FY 2025 Governor's Budget Report*.

Taxation; sales tax; exemptions; custom meat processing; Kansas State School for the Deaf; Kansas State School for the Blind; Johnson County Christmas Bureau Association; Doorstep, Inc.; Exploration Place; Kansas Children's Discovery Center; menstrual discharge collection devices; diapers; back-to-school supplies