

February 24, 2025

The Honorable Adam Smith, Chairperson  
House Committee on Taxation  
300 SW 10th Avenue, Room 346-S  
Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2377 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2377 is respectfully submitted to your committee.

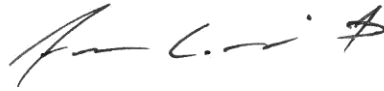
HB 2377 would change the apportionment of the countywide sales tax for general purposes to counties and cities beginning on July 1, 2025. Under current law, one half of all revenue from the countywide sales tax for general purposes is apportioned among the county and each city located in that county in the proportion that the total tangible property tax levies made in that county in the preceding year for all funds of each governmental unit in relation to the total of all levies made in the preceding year. The bill would change this portion of the apportionment calculation to be based on the total assessed valuations used to calculate each county's and each city's ad valorem property taxes in the preceding year.

The Department of Revenue indicates HB 2377 would only affect local sales tax collections and would have no fiscal effect on state revenues or expenditures. The Department of Revenue currently requests from each county the property tax data used in the apportionment formula. State law already requires county clerks to provide annual assessed valuation information to the Director of Property Valuation at the Department of Revenue. The bill would eliminate one reporting requirement for each county.

The Kansas Association of Counties and the League of Kansas Municipalities indicate the bill has the potential to redistribute countywide sales tax revenue for general purposes between counties and cities. The fiscal effect would vary by county and city depending on the concentration of total assessed valuations in each county and each city. Distributing sales tax revenue using the

total assessed valuations instead of total tangible property tax levies would allow a city or county to lower its tax levy without losing sales tax revenues.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", followed by a stylized flourish or symbol.

Adam C. Proffitt  
Director of the Budget

cc: Lynn Robinson, Department of Revenue  
Wendi Stark, League of Kansas Municipalities  
Jay Hall, Kansas Association of Counties