

January 28, 2026

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 2456 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2456 is respectfully submitted to your committee.

HB 2456 would allow local governments the option to exempt food and food ingredients from local sales taxes beginning on July 1, 2026.

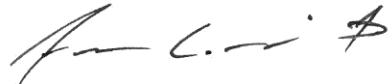
The Department of Revenue estimates that HB 2456 would have no fiscal effect on State General Fund and State Highway Fund revenues and only has the potential to reduce local sales tax collections by unknown amounts beginning in FY 2027. However, having a different tax base for local jurisdictions has the potential to place Kansas out of compliance with the Streamlined Sales and Use Tax Agreement. The Department of Revenue estimates that more than \$100.0 million in revenues annually could be at risk and may no longer be received if Kansas loses its member status, as other members would no longer be contractually required to remit retail sales and compensating use taxes to Kansas.

The Department indicates that the bill would require \$82,223 from the State General Fund in FY 2027 to implement the bill and to modify the automated tax system. The bill would require the Department to hire 1.00 new FTE Accountant Position to process and track local sales tax distributions. The Department estimates that ongoing expenses for salaries and wages for the 1.00 FTE position would total \$71,493 from the State General Fund in FY 2028. There would be significant programming required to exclude some cities and/or some counties from the local distribution accounting process for those local jurisdictions that have chosen to exempt food sales. 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. Any fiscal effect associated with HB 2456 is not reflected in *The FY 2027 Governor's Budget Report*.

The League of Kansas Municipalities and the Kansas Association of Counties indicate the bill would give local governments the option to exempt food and food ingredients from local sales taxes. If a local government chose to exempt these sales from its local sales tax base, then the bill would provide a net reduction to local sales tax collections that are used in part to finance local governments. The bill also has the potential to reduce revenues that are pledged to repay STAR bond projects, tax increment financing districts, and community improvement districts; however, it is unknown what impact this bill would have on the viability of those projects.

Sincerely,



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