

May 11, 2017

CORRECTED

The Honorable Steven Johnson, Chairperson
House Committee on Taxation
Statehouse, Room 185-N
Topeka, Kansas 66612

Dear Representative Johnson:

SUBJECT: Corrected Fiscal Note for HB 2131 by Representative Miller

In accordance with KSA 75-3715a, the following corrected fiscal note concerning HB 2131 is respectfully submitted to your committee.

HB 2131 would provide a sales tax exemption for food and food ingredients. Food and food ingredients are defined as substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. Food and food ingredients would not include alcoholic beverages, tobacco, candy, dietary supplements, soft drinks, or food sold through vending machines. Food and food ingredients would specifically include bottled water. The bill provides specific definitions for bottled water, candy, food sold through vending machines, prepared food, soft drinks, and dietary supplements. All sales of food and food ingredients would be exempt from all retail sales taxes beginning on July 1, 2017. In the original fiscal note issued, an incorrect date was included as to when this sales tax exemption would begin and an incorrect definition of food and food ingredients was used.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	(\$310,100,000)	(\$368,800,000)	(\$341,300,000)	(\$407,100,000)
Expenditure	\$79,071	\$79,071	--	--
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2131 would decrease state revenues by \$368.8 million in FY 2018 and by \$407.1 million in FY 2019. Of those totals, the State General Fund is estimated to decrease by \$310.1 million in FY 2018 and by \$341.3 million in FY 2019,

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while the State Highway Fund is estimated to decrease by \$58.7 million in FY 2018 and by \$65.8 million in FY 2019. This bill also is estimated to decrease local sales tax revenues; however, the specific estimate of lower local sales tax revenues was not calculated by the Department of Revenue. The Department indicates that State General Fund estimates for FY 2018 and FY 2019 are based on the November 2016 Consensus Revenue Estimate. The estimate assumes that 15.0 percent of all current sales tax collections are collected on food and food ingredients.

The Department indicates that the bill would require \$79,071 from the State General Fund in FY 2018 to implement the bill. The bill would require changes to sales tax forms and publications and modifications to the sales tax processing system. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. However, 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.

The Kansas Department of Transportation (KDOT) indicates that the bill would reduce state revenues to the State Highway Fund as noted above. KDOT indicates that when the state receives lower State Highway Fund dollars it may be required to make corresponding reductions to planned expenditures for projects funded under the comprehensive transportation plan, known as T-WORKS.

The Kansas Association of Counties and the League of Kansas Municipalities indicate that the bill would provide a net reduction to local sales tax collections that are used in part to finance local governments. Any fiscal effect associated with HB 2131 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Ben Cleaves, Transportation
Brock Ingmire, League of Municipalities
Melissa Wangemann, Association of Counties