

STATE OF KANSAS



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GOVERNOR JEFF COLYER, M.D.
LARRY L. CAMPBELL, CHIEF BUDGET OFFICER

February 16, 2018

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

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2668 by Representative Pittman, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2668 is respectfully submitted to your committee.

HB 2668 would provide a sales tax exemption for farm products sold at a farmers' market. The bill lists the farm products that would qualify for this sales tax exemption, including fresh fruits; vegetables; mushrooms; nuts; eggs; honey; maple syrup; flowers; nursery stock and other horticultural commodities; livestock food products, including meat, milk, cheese and other dairy products; food products of aquaculture, including fish, oysters, clams, mussels, and other molluscan shellfish taken from the waters of the state; products from any tree, vine, plant, and flowers; or any of the products that have been processed, including baked goods made with farm products. The bill provides a definition of a farmers' market and would not allow the sales tax exemption for any person or entity with estimated total annual sales of \$25,000 or more from participating in farmers' markets.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	--	(\$189,000)	(\$225,000)
Expenditure	--	--	\$1,200	\$1,200
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2668 would decrease state revenues by \$225,000 in FY 2019. Of that total, the State General Fund is estimated to decrease by \$189,000 in FY 2019, while the State Highway Fund is estimated to decrease by \$36,000 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 of Revenue indicates that the decrease in state sales tax revenues could increase to approximately \$375,000 per year if the term common marketplace in the farmers' market definition also includes farm-to-table operations, including certain food cooperatives. According to the Department, reissuing sales tax publications and to develop notices and guidance to taxpayers on the administration of the sales tax exemption would cost \$1,200 from the State General Fund in FY 2019.

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 2668 is not reflected in *The FY 2019 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Chief Budget Officer

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