

February 22, 2022

The Honorable Adam Smith, Chairperson
House Committee on Taxation
Statehouse, Room 346-S
Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2709 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2709 is respectfully submitted to your committee.

HB 2709 would provide a sales tax exemption for any non-profit theater that creates and produces novel works for concerts or productions; employs a full-time theater staff; has a board of directors; is dedicated to providing a strong educational commitment to its local community; and is committed to providing ongoing live theater as an art form using available local resources. The sales tax exemption would become effective on July 1, 2022.

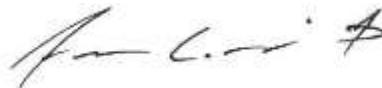
Estimated State Fiscal Effect				
	FY 2022 SGF	FY 2022 All Funds	FY 2023 SGF	FY 2023 All Funds
Revenue	--	--	(\$124,000)	(\$148,000)
Expenditure	--	--	\$1,800	\$1,800
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2709 would decrease state revenues by \$148,000 in FY 2023. Of that total, the State General Fund is estimated to decrease by \$124,000 in FY 2023, while the State Highway Fund is estimated to decrease by \$24,000 in FY 2023. This bill also is estimated to decrease local revenues by \$52,000 in FY 2023. The Department indicates that similar results would also occur in future fiscal years.

To formulate these estimates, the Department of Revenue reviewed sales tax collection data from the six non-profit theaters that have been identified statewide that meet the criteria outlined in the bill. According to the Department of Revenue, reissuing sales tax publications and issuing tax entity exemption certificates would cost \$1,800 from the State General Fund in FY 2023.

The Kansas Department of Transportation indicates that the bill would reduce state revenues to the State Highway Fund, as noted above. 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 2709 is not reflected in *The FY 2023 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

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