

February 22, 2022

The Honorable Caryn Tyson, Chairperson  
Senate Committee on Assessment and Taxation  
Statehouse, Room 548-S  
Topeka, Kansas 66612

Dear Senator Tyson:

**SUBJECT:** Fiscal Note for SB 516 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 516 is respectfully submitted to your committee.

SB 516 would provide a sales tax exemption for certain hygiene products. Hygiene products include antiperspirants, cotton swabs, dental floss, deodorants, diapers, menstrual cups, mouthwash, panty liners, sanitary napkins, shampoo, soaps and cleaning solutions, suntan lotions, suntan screens, tampons, toilet tissues, and toothpaste. The bill 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	--	--	(\$16,500,000)	(\$19,700,000)
Expenditure	--	--	\$1,200	\$1,200
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 516 would decrease state revenues by \$19.7 million in FY 2023. Of that total, the State General Fund is estimated to decrease by \$16.5 million in FY 2023, while the State Highway Fund is estimated to decrease by \$3.2 million in FY 2023. 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 fiscal effect to state revenues during subsequent years would be as follows:

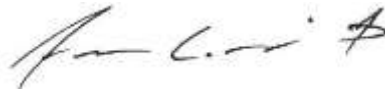
	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	(\$18,400,000)	(\$18,700,000)
State Highway Fund	<u>(3,500,000)</u>	<u>(3,600,000)</u>
	(\$21,900,000)	(\$22,300,000)

To formulate these estimates, the Department of Revenue reviewed data from the Bureau of Labor Statistics Consumer Expenditure Survey and the Kansas Department of Health and Environment. According to the Department of Revenue, 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 2023.

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.

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 SB 516 is not reflected in *The FY 2023 Governor's Budget Report*.

Sincerely,



Adam Proffitt  
Director of the Budget

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