

February 14, 2023

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
300 SW 10th Avenue, Room 548-S
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 168 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 168 is respectfully submitted to your committee.

SB 168 would allow local governments, including Washburn University, to continue to charge a sales tax on food and food ingredients; however, the bill gives the option for local governments to exempt food and food ingredients from local sales taxes beginning on July 1, 2025.

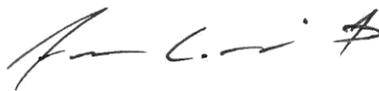
The Department of Revenue estimates that SB 168 would have no fiscal effect on State General Fund and State Highway Fund revenues and only has the potential to reduce local sales tax collections by unknown amounts beginning in FY 2026. However, having a different tax base for local jurisdictions has the potential to place Kansas out of compliance with the Streamlined Sales and Use Tax Agreement. The Department of Revenue estimates that more than \$80.0 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 \$38,213 from the State General Fund in FY 2024 to implement the bill and to modify the automated tax system. 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. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. 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 SB 168 is not reflected in *The FY 2024 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.

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: Lynn Robinson, Department of Revenue
Wendi Stark, League of Kansas Municipalities
Jay Hall, Kansas Association of Counties