

February 15, 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 58 by Senator Peck, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning SB 58 is respectfully submitted to your committee.

SB 58 would provide a sales tax exemption on all sales of tangible personal property or services, except sales of motor vehicles, to Kansas residents who are certified by the U.S. Department of Veterans Affairs to receive 100.0 percent disability compensation and considered to be permanently disabled. Sales qualifying for this exemption would be capped at \$50,000 per year for each qualifying person. The Department of Revenue would be required to issue a veteran exemption identification number to each eligible person. This sales tax exemption would begin on January 1, 2024.

Estimated State Fiscal Effect				
	FY 2023 SGF	FY 2023 All Funds	FY 2024 SGF	FY 2024 All Funds
Revenue	--	--	(\$7,900,000)	(\$9,500,000)
Expenditure	--	--	\$44,120	\$44,120
FTE Pos.	--	--	1.00	1.00

The Department of Revenue estimates that SB 58 would decrease state revenues by \$9.5 million in FY 2024. Of that total, the State General Fund is estimated to decrease by \$7.9 million while the State Highway Fund is estimated to decrease by \$1.6 million. 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 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
State General Fund	(\$18,200,000)	(\$17,200,000)	(\$17,300,000)	(\$17,500,000)
State Highway Fund	<u>(3,800,000)</u>	<u>(3,700,000)</u>	<u>(3,800,000)</u>	<u>(3,800,000)</u>
	(\$22,000,000)	(\$20,900,000)	(\$21,100,000)	(\$21,300,000)

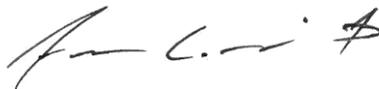
To formulate these estimates, the Department of Revenue reviewed veteran disability data from the Kansas Commission on Veterans Affairs. In 2022, there were 8,538 Kansas veterans that had a 100.0 percent disability compensation rating, and these estimates assume that each eligible veteran would use the maximum \$50,000 exemption each year.

The Department of Revenue indicates that it would require a total of \$44,120 from the State General Fund in FY 2024 to hire 1.00 new FTE position to manage this new sales tax exemption program and to change forms and publications. The Department estimates that ongoing expenses for salaries and wages for the 1.00 FTE position would total \$61,947 from the State General Fund in FY 2025 and subsequent fiscal years.

The Kansas Department of Transportation (KDOT) indicates that the bill would reduce revenues to the State Highway Fund as noted above. KDOT indicates that when the state receives fewer State Highway Fund dollars, it may be required to make corresponding reductions to planned expenditures for projects funded under the comprehensive transportation plan. Any fiscal effect associated with SB 58 is not reflected in *The FY 2024 Governor's Budget Report*.

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. The bill also has the potential to reduce revenues that are pledged to repay STAR bond projects; however, it is unknown what impact this bill would have on the viability of those projects.

Sincerely,



Adam Proffitt  
Director of the Budget

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