

March 21, 2014

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

Dear Representative Carlson:

SUBJECT: Fiscal Note for HB 2757 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2757 is respectfully submitted to your committee.

HB 2757 would provide a sales tax exemption for the Wichita Children's Home, for the purpose of providing emergency shelter, transitional living, and treatment for abused and neglected children as well as meeting additional critical needs for children, juveniles, and families. The bill would exempt from sales tax all sales and purchases of tangible personal property and services made by or on behalf of the Wichita Children's Home. The sales tax exemption would also be extended to any contractor hired for the construction, maintenance, repairing, enlarging, furnishing, or remodeling of facilities used for the operation of the Wichita Children's Home. The bill includes reporting requirements for contractors and penalties for the use of the sales tax exemption that are determined to not be part of this project which would be punishable as a misdemeanor. The sales tax exemption would be retroactive to January 1, 2014.

Estimated State Fiscal Effect				
	FY 2014 SGF	FY 2014 All Funds	FY 2015 SGF	FY 2015 All Funds
Revenue	--	--	(\$244,800)	(\$295,200)
Expenditure	--	--	\$2,200	\$2,200
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2757 would decrease state revenues by \$295,400 in FY 2015. Of that total, the State General Fund is estimated to decrease by \$244,800 in FY 2015, while the State Highway Fund is estimated to decrease by \$50,400 in FY 2015. This bill is also estimated to decrease local sales tax revenues by \$48,000 in FY 2015. The

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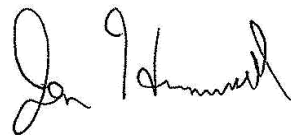
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Department of Revenue indicates that the bill would expand the organization's sales tax exemption authority. The Department indicates that the organization already has a sales tax exemption for the purchase of tangible personal property and services and that the bill would broaden their exemption to include sales made by the organization and construction materials purchased by a contractor on their behalf with a project exemption certificate. The Department indicates that the organization has a large building project that it plans to begin construction in the summer of 2014, with most of the costs estimated to occur in FY 2015.

According to the Department of Revenue, reissuing sales tax publications, updating computer systems, and issuing the tax entity exemption certificate would cost \$2,200. Any fiscal effect associated with HB 2757 is not reflected in *The FY 2015 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Hummell". The signature is fluid and cursive, with the first name "Jon" being more prominent than the last name "Hummell".

Jon Hummell,
Interim Director of the Budget

cc: Steve Neske, Department of Revenue