

March 31, 2015

The Honorable Les Donovan, Sr., Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Donovan:

SUBJECT: Fiscal Note for SB 281 by Senate Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning SB 281 is respectfully submitted to your committee.

SB 281 would expand the current sales tax exemption for mobility enhancing equipment to include labor services to repair, install, modify, make, or convert equipment. The sales tax exemption would include mobility enhancing equipment for use in a motor vehicle, including lowered floor conversions, raised roofs, door openings extensions, and other modifications. The sales tax exemption would be retroactive without limitation as to time; however, the bill would not allow a refund for any formerly taxable sums already remitted.

Estimated State Fiscal Effect				
	FY 2015 SGF	FY 2015 All Funds	FY 2016 SGF	FY 2016 All Funds
Revenue	--	--	(\$165,854)	(\$200,000)
Expenditure	--	--	\$2,500	\$2,500
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 281 would decrease state revenues by \$200,000 in FY 2016. Of that total, the State General Fund is estimated to decrease by \$165,854 in FY 2016, while the State Highway Fund is estimated to decrease by \$34,146 in FY 2016. This bill also is estimated to decrease local revenues by \$50,000 in FY 2016. The fiscal effect to state and local revenues during subsequent years would be as follows:

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
State General Fund	(\$87,073)	(\$91,427)	(\$95,998)	(\$100,798)
State Highway Fund	(17,927)	(18,823)	(19,764)	(20,752)
Local Governments	<u>(26,250)</u>	<u>(27,563)</u>	<u>(28,941)</u>	<u>(30,388)</u>
	(\$131,250)	(\$137,813)	(\$144,703)	(\$151,948)

To formulate these estimates, the Department of Revenue reviewed data on sales of mobility enhancing equipment and pending audits. The Department indicates the fiscal effect for FY 2016 includes the resolution of pending audits and the expanded sales exemption for certain newly purchased mobility enhancing equipment. For FY 2017 and future fiscal years, the fiscal effect only includes the expanded sales exemption for certain newly purchased mobility enhancing equipment. According to the Department, reissuing sales tax publications and policy library updates would cost \$2,500 from the State General Fund in FY 2016.

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, known as T-WORKS.

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 281 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: Jack Smith, Department of Revenue
Ben Cleeves, Transportation
Larry Baer, League of Municipalities
Melissa Wangemann, Association of Counties
Aaron Dunkel, Health & Environment