

February 25, 2020

The Honorable Steven Johnson, Chairperson
House Committee on Taxation
Statehouse, Room 185A-N
Topeka, Kansas 66612

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2694 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2694 is respectfully submitted to your committee.

HB 2694 would provide a sales tax exemption for organizations operating as an animal shelter and licensed under the Kansas Pet Animal Act.

Estimated State Fiscal Effect				
	FY 2020 SGF	FY 2020 All Funds	FY 2021 SGF	FY 2021 All Funds
Revenue	--	--	(\$1,300,000)	(\$1,500,000)
Expenditure	--	--	\$1,200	\$1,200
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2694 would decrease state revenues by \$1.5 million in FY 2021. Of that total, the State General Fund is estimated to decrease by \$1.3 million in FY 2021, while the State Highway Fund is estimated to decrease by \$200,000 in FY 2021. This bill also is estimated to decrease local sales tax revenue; however, the specific estimate of lower local sales tax revenue was not calculated by the Department of Revenue. The Department of Revenue indicates that this provision would have a similar fiscal effect in future fiscal years.

To formulate these estimates, the Department of Revenue reviewed data on animal shelters from the Kansas Department of Agriculture. That data shows that there are currently 254 animal shelters that are licensed in the State of Kansas. Of the licensed animal shelters, half are operated by a city and are already receive a sales tax exemption. Of the remaining animal shelters, about one-third are operated as a portion of a for-profit business and about two-thirds are operated as a non-profit organization. Based on industry information, it is estimated that the bill would result in

a reduction of \$1.5 million in state sales tax collections, including \$1.3 million from the State General Fund and \$200,000 from the State Highway Fund. According to the Department of Revenue, reissuing sales tax publications and issuing tax entity exemption certificates would cost \$1,200 from the State General Fund in FY 2021.

The Kansas Department of Transportation indicates that the bill would reduce state revenues to the State Highway Fund, as noted above. 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 HB 2694 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink that reads "L. L. Campbell". The signature is written in a cursive style with a large, stylized initial "L".

Larry L. Campbell
Director of the Budget

cc: Trey Cocking, League of Municipalities
Jay Hall, Association of Counties
Lynn Robinson, Department of Revenue
Ben Cleaves, Transportation