

March 1, 2021

The Honorable Caryn Tyson, Chairperson  
Senate Committee on Assessment and Taxation  
Statehouse, Room 123-E  
Topeka, Kansas 66612

Dear Senator Tyson:

**SUBJECT:** Fiscal Note for SB 226 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 226 is respectfully submitted to your committee.

SB 226 would provide a sales tax exemption for organizations operating as an Area Agency on Aging for the purpose of coordinating and providing seniors and those living with disabilities with services that promote person-centered care, including home-delivered meals, congregate meal settings, long-term case management, transportation, information, assistance, and other preventative and intervention services to help service recipients remain in their homes and communities. The sales tax exemption would also be extended for any contractor hired for the construction, equipment, maintenance, repairing, enlarging, furnishing, or remodeling of facilities used for the operation of services for an Area Agency on Aging. The bill includes reporting requirements for contractors and penalties for the use of the sales tax exemption that is determined to not be part of this project which would be punishable as a misdemeanor. The bill would allow these organizations to file a refund claim on sales taxes paid in FY 2020 and FY 2021.

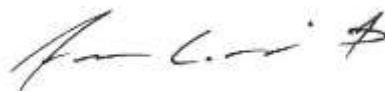
Estimated State Fiscal Effect				
	FY 2021 SGF	FY 2021 All Funds	FY 2022 SGF	FY 2022 All Funds
Revenue	--	--	(\$315,000)	(\$375,000)
Expenditure	--	--	\$1,200	\$1,200
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 226 would decrease state revenues by \$375,000 in FY 2022. Of that total, the State General Fund is estimated to decrease by \$315,000 in FY 2022, while the State Highway Fund is estimated to decrease by \$60,000 in FY 2022. 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.

To formulate these estimates, the Department of Revenue reviewed data on Area Agencies on Aging. That data shows that there are currently 11 agencies in the state, including eight that are not already associated with a sales tax-exempt organization. Based on this information, it is estimated that the sales tax exemption would result in an annual reduction of approximately \$125,000 in state sales tax collections. Because the bill allows organizations operating as an Area Agency on Aging to file a refund claim for sales taxes paid in FY 2020 and FY 2021, the fiscal effect for FY 2022 also includes refunds for sales taxes paid in FY 2020 and FY 2021. 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 2022.

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 SB 226 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,



Adam Proffitt  
Director of the Budget

cc: Wendi Stark, League of Municipalities  
Jay Hall, Association of Counties  
Lynn Robinson, Department of Revenue  
Ben Cleeves, Transportation