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MEMORANDUM

To: Members of the House Committee on Taxation

From: Adam Siebers, Assistant Revisor

Date: February 7, 2023

Subject: House Bill No. 2111

Summary

House Bill No. 2111 makes changes to the calculation used for STAR bonds districts, adjusts the date for the discontinuance of the food sales income tax credit, adjusts the date for the implementation of the 0% rate for sales and use tax on food and food ingredients and provides a sales tax exemption for children's diapers and feminine hygiene products.

Section 1 – Establishes the STAR Bonds Food Sales Tax Revenue Replacement Fund to be administered by the State Treasurer. The State Treasurer would transfer from the State General Fund to the STAR Bonds Food Sales Tax Revenue Replacement Fund amounts that were certified by the Secretary of Revenue equal to the amount of revenue that would have been generated from sales of food and food ingredients at the 6.5% rate within a STAR bond project district. The State Treasurer would then pay from the STAR Bonds Food Sales Tax Revenue Replacement Fund to the City Bond Finance Fund the corresponding amount for each applicable jurisdiction.

Section 2 – Amends the definition of “tax increment” under the STAR bonds law. The change would allow STAR bond project districts established prior to July 1, 2022, to add to the tax increment an amount equal to the amount of sales and use tax revenue that would have been derived from the sale of food and food ingredients within the district if the rate had been 6.5%.

Section 3 – Discontinues the food sales income tax credit starting in tax year 2024.

Sections 4, 7-9 – Amends the distribution percentages credited to the State Highway Fund from revenue generated from sales and use tax by adjusting the distribution from 17% to 18% on April 1, 2023.

Section 5 – Provides that the state rate on sales of food and food ingredients would be 0% on April 1, 2023.

Section 6 – Provides for a sales tax exemption for sales of children's diaper and feminine hygiene products.