

SESSION OF 2023

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2041

As Recommended by House Committee on
Taxation

Brief*

HB 2041 would enact a sales tax exemption for purchases of tangible personal property made by certain not-for-profit theaters.

In order to qualify for the exemption, theaters would be required to provide for:

- The creation and production of novel works for concerts or productions;
- The employment of full-time theater staff;
- Governance by a board of directors that provides a partnership between the board and theater staff and a connection to the community by ensuring sound business and financial practices and a commitment to bringing new thoughts and ideas to the governance of the organization;
- The dedication to providing strong educational commitments to the community in which the theater is located; and
- The commitment to providing ongoing live theater as an art form using available local resources.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Background

The bill was introduced by the House Committee on Taxation at the request of Representative Sanders.

House Committee on Taxation

In the House Committee hearing, **proponent** testimony was provided by representatives of Music Theatre of Wichita and Theatre Lawrence. Proponents generally stated nonprofit theater revenues were reduced by the COVID-19 pandemic and the bill would provide sales tax relief.

Written-only proponent testimony was provided by representatives of Great Plains Theatre, Salina Community Theatre, Theatre Atchison, and Topeka Civic Theatre.

Written-only **opponent** testimony was provided by a representative of the League of Kansas Municipalities.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget, the Department of Revenue indicates enactment of the bill would reduce state receipts by \$155,500 per year, of which \$129,000 would be from the State General Fund and the balance from the State Highway Fund. Additionally, enactment of the bill would reduce local sales tax collections by approximately \$54,500. Any fiscal effect associated with the bill is not reflected in *The FY 2024 Governor's Budget Report*.

Taxation; sales tax; exemption; theater