

February 26, 2015

The Honorable Steve Brunk, Chairperson
House Committee on Federal and State Affairs
Statehouse, Room 285-N
Topeka, Kansas 66612

Dear Representative Brunk:

SUBJECT: Fiscal Note for HB 2383 by House Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2383 is respectfully submitted to your committee.

HB 2383 would enact the Kansas Charitable Raffle Act to regulate, license and tax the management, operation and conduct of and participation in charitable raffles by nonprofit and charitable organizations. A license would be required of any organization with annual raffles sales exceeding \$25,000 upon payment of \$25 fee for a raffle license. These organizations would also be required to remit a 1.0 percent tax on gross receipts exceeding \$25,000. The bill would create the State Charitable Raffle Regulation Fund in the Department of Revenue to receipt all fees, taxes, penalties and fines instituted under this bill, and expenditures from this fund would be used for administration and enforcement of the act. The bill would also create the Kansas Charitable Raffle Refund Fund as a clearing fund from which refunds of the license and registration fees and taxes imposed in this bill would be issued.

Charitable raffle tickets sold by licensees would be exempt from all sales taxes. Further, the bill would prohibit professional management organizations from operating the raffle and would consider vehicles raffled subject to sales tax. The bill outlines provisions related to game rules and limitations, penalties, exemptions and requirements that would be imposed on participants, licensees, and the Department of Revenue. The administrator of charitable raffles would be appointed by the Department of Revenue to assume responsibility for developing and implementing the rules and regulations necessary to carry out and oversee the act. The bill would be effective upon publication in the *Kansas Register*.

If HB 2383 were enacted, the Department of Revenue estimates less than 100 nonprofit organizations would be required to register with the state and be licensed for raffles which would increase revenue to the State Charitable Raffle Regulation Fund by \$22,500 in FY 2016. This

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amount includes \$2,500 from the \$25 raffle license and \$20,000 from the 1.0 percent tax which the Department estimates would be assessed on gross sales of approximately \$2.0 million.

The Department estimates HB 2383 would increase its expenditures by \$100,000 in FY 2016, which includes the cost to modify tax processing and registration systems; to add one staff person to administer the raffle tax; and to add one part-time attorney or tax specialist to draft rules, regulations and notices and respond to communication regarding the regulation of raffles. The Department is unable to estimate the cost of enforcement at this time, but indicates these costs would be in addition to the expenditures included in this fiscal note. Any fiscal effect associated with HB 2383 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Jack Smith, KDOR