

February 10, 2016

The Honorable Marvin Kleeb, Chairperson  
House Committee on Taxation  
Statehouse, Room 185-N  
Topeka, Kansas 66612

Dear Representative Kleeb:

**SUBJECT:** Fiscal Note for HB 2498 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2498 is respectfully submitted to your committee.

Under current law, the Department of Revenue retains 2.0 percent of all community improvement district sales taxes that are collected up to a maximum of \$60,000 per fiscal year to reimburse the Department for the administration and enforcement expenses of this program. HB 2498 would remove the \$60,000 cap.

The Department of Revenue estimates that HB 2498 would increase revenues to the Community Improvement District Sales Tax Administration Fund by \$100,000 in FY 2017. The Department indicates the total number of community improvement districts has grown to 71, and will continue to grow, as this program is very popular with municipalities and developers. Until the \$60,000 current statutory cap is reached each fiscal year, the Department must make complex calculations for each district distribution in order to properly and proportionally allocate the administrative fee among the districts. The Department indicates the elimination of the \$60,000 cap will simplify the distribution process as well as increase the amount that the Department can retain to cover its rising costs to administer this expanding program.

The League of Kansas Municipalities indicates the bill would reduce local sales tax revenue for cities that use a community improvement district sales tax. The League indicates that the retention of additional sales tax funds by the state reduces funds available to the city to pay down principal and interest on development costs, extends the payback time, and increases

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interest costs. Any fiscal effect associated with HB 2498 is not reflected in *The FY 2017 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, Department of Revenue  
Larry Baer, League of Municipalities  
Melissa Wangemann, Association of Counties