

February 16, 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 2604 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2604 is respectfully submitted to your committee.

HB 2604 would provide a sales tax exemption for the Gove County Healthcare Endowment Foundation, Inc. for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing, or remodeling an airport in Quinter, Kansas. The sales tax exemption would also be extended to any contractor hired for constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing, or remodeling the airport. The bill includes reporting requirements for contractors and penalties for the use of the sales tax exemption that are determined to not be part of this project, which would be punishable as a misdemeanor.

Estimated State Fiscal Effect				
	FY 2016 SGF	FY 2016 All Funds	FY 2017 SGF	FY 2017 All Funds
Revenue	--	--	(\$88,038)	(\$105,000)
Expenditure	--	--	\$1,800	\$1,800
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2604 would decrease state revenues by \$105,000 in FY 2017. Of that total, the State General Fund is estimated to decrease by \$88,038, while the State Highway Fund is estimated to decrease by \$16,962. This bill is also estimated to decrease local sales tax revenues by approximately \$32,000 in FY 2017. According to the Department of Revenue, reissuing sales tax publications and issuing the tax entity exemption certificate would cost \$1,800 from the State General Fund in FY 2017.

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The Kansas Department of Transportation (KDOT) indicates that the bill would reduce state revenues to the State Highway Fund as noted above. KDOT indicates that when the state receives lower State Highway Fund dollars it may be required to make corresponding reductions to planned expenditures for projects funded under the comprehensive transportation plan, known as T-WORKS.

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 HB 2604 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
Ben Cleeves, Transportation