

March 22, 2017

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

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2400 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2400 is respectfully submitted to your committee.

HB 2400 would require sellers that do not have a physical presence in the State of Kansas with annual gross revenue from the sale of tangible personal property exceeding \$100,000, or have more than 200 separate transactions in the state to collect and remit sales taxes. The bill would take effect on July 1, 2017.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	\$1,676,920	\$2,000,000	\$1,676,920	\$2,000,000
Expenditure	\$600	\$600	--	--
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2400 would increase state revenues by \$2.0 million in both FY 2018 and in FY 2019. Of those totals, the State General Fund is estimated to increase by \$1,676,920 in both FY 2018 and FY 2019, while the State Highway Fund is estimated to increase by \$323,080 in both FY 2018 and FY 2019. This bill also is estimated to increase local sales tax revenues; however, the specific estimate of higher local sales tax revenues was not calculated by the Department of Revenue.

To formulate these estimates, the Department of Revenue reviewed similar legislation that was signed into law in South Dakota in 2016. South Dakota did not issue a fiscal note on the bill. Colorado passed remote seller legislation in 2010 with a small seller threshold of \$100,000. Colorado's legislation was not initially implemented due to litigation, but they

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anticipate implementing the legislation during calendar year 2017. Colorado's fiscal note upon implementation is that this law will generate no more than \$6.0 million annually. Based on U.S. Census Bureau data, Kansas has about half the population and economic activity as Colorado, and so based on these assumptions, the Department estimates \$2.0 million in state sales tax will be collected annually. According to the Department of Revenue, reissuing sales tax publications would cost \$600 from the State General Fund in FY 2018.

The Kansas Department of Transportation indicates that the bill would increase state revenues to the State Highway Fund as noted above. The additional revenues would fund additional 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 increase to local sales tax collections that are used in part to finance local governments. Any fiscal effect associated with HB 2400 is not reflected in *The FY 2018 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: Lynn Robinson, Department of Revenue
Ben Cleeves, Transportation
Larry Baer, League of Municipalities
Melissa Wangemann, Association of Counties