

January 26, 2022

The Honorable Adam Smith, Chairperson
House Committee on Taxation
Statehouse, Room 346-S
Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2499 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2499 is respectfully submitted to your committee.

HB 2499 would provide a refund for state retail sales and compensating use taxes paid on property used or consumed in the provision of video service, internet access service, or telecommunication service. The refund amount would be capped at \$40.0 million per calendar year. If total claims for refund exceed \$40 million, the amount of tax refunded would be prorated. The provider of video service, internet access service, or telecommunications service would be allowed to claim the refund between January 1st and April 1st for any purchases that were made for the previous calendar year.

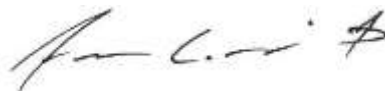
Estimated State Fiscal Effect				
	FY 2022 SGF	FY 2022 All Funds	FY 2023 SGF	FY 2023 All Funds
Revenue	--	--	(\$33,500,000)	(\$40,000,000)
Expenditure	--	--	\$133,356	\$133,356
FTE Pos.	--	--	--	2.00

The Department of Revenue estimates that HB 2499 would decrease state revenues by \$40.0 million in FY 2023. Of that total, the State General Fund is estimated to decrease by \$33.5 million in FY 2023, while the State Highway Fund is estimated to decrease by \$6.5 million in FY 2023. This bill is expected to have a similar fiscal effect in future fiscal years. The Department indicates that refunds would likely be delayed until all refund requests are made and determined

to be valid to allow for refund requests to be prorated if the total amount of refunds requests exceed \$40.0 million. The bill would have no effect on local sales tax revenues as the refund only applies to state retail sales and compensating use taxes.

The Department of Revenue indicates that it would require a total of \$133,356 from the State General Fund in FY 2023 to implement the bill and to modify the automated tax system. The bill would require the Department to hire 2.00 new FTE positions to answer questions from taxpayers and to review, process, and audit refund requests. The Department estimates that ongoing expenses for salaries and wages for the 2.00 FTE positions and overhead expenses would total \$123,210 from the State General Fund in FY 2024. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department's current budget may be required. Any fiscal effect associated with HB 2499 is not reflected in *The FY 2023 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Brendan Yorkey, Department of Transportation
Wendi Stark, League of Municipalities
Jay Hall, Association of Counties