

January 31, 2022

The Honorable Caryn Tyson, Chairperson  
 Senate Committee on Assessment and Taxation  
 Statehouse, Room 548-S  
 Topeka, Kansas 66612

Dear Senator Tyson:

**SUBJECT:** Fiscal Note for SB 359 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 359 is respectfully submitted to your committee.

SB 359 would set the state sales tax rate on gas, water, electricity, heat, propane gas LP gas, coal, wood, and other fuel sources for the production of heat and lighting for any use at 0.0 percent beginning on July 1, 2023. The bill would allow local governments to continue to charge a retail sales tax on these fuel sources. Beginning on July 1, 2023, cities and counties would have the option to exempt the listed fuel sources from the local sales tax charged in their jurisdiction.

Estimated State Fiscal Effect				
	FY 2022 SGF	FY 2022 All Funds	FY 2023 SGF	FY 2023 All Funds
Revenue	--	--	--	--
Expenditure	--	--	\$98,316	\$98,316
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 359 would not have a fiscal effect on state revenues until FY 2024. The fiscal effect to state revenues during subsequent years would be as follows:

	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
State General Fund	(\$46,800,000)	(\$52,100,000)	(\$53,100,000)	(\$54,100,000)
State Highway Fund	<u>(9,000,000)</u>	<u>(10,000,000)</u>	<u>(10,200,000)</u>	<u>(10,400,000)</u>
	(\$55,800,000)	(\$62,100,000)	(\$63,300,000)	(\$64,500,000)

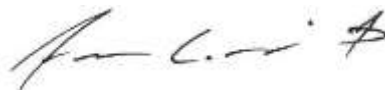
To formulate these estimates, the Department of Revenue reviewed sales tax collections data from FY 2021 on these fuel sources. The Department indicates that it processes over 2,000 utility exemption requests each year and with only local taxes collected under the provisions of the bill, the Department notes that it may be burdensome to the state and utility providers to process claims that would only apply to local sales taxes.

The Department of Revenue indicates that it would require a total \$98,316 from the State General Fund in FY 2023 to implement the bill and to modify the automated tax system. The Department indicates it would be required to revise existing sales tax forms and publications and would create two new publications as a result of this bill. 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.

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.

The Kansas Association of Counties and the League of Kansas Municipalities indicate the bill would have no fiscal effect on counties and cities, unless they chose the option to exempt certain fuel sources from the local sales tax charged in their jurisdiction. Any fiscal effect associated with SB 359 is not reflected in *The FY 2023 Governor's Budget Report*.

Sincerely,



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