

SESSION OF 2022

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2721

As Recommended by House Committee on
Taxation

Brief*

HB 2721 would provide a sales tax exemption for over-the-counter drugs, which would be defined as a drug containing a label with a drug facts panel or statement of the drug's active ingredients and a list of those ingredients. Over-the-counter drugs would not include grooming and hygiene products such as soaps, cleaning solutions, shampoo, toothpaste, antiperspirants, sun tan lotions, or sunscreens.

Background

The bill was introduced by the House Committee on Taxation at the request of Representative Stogsdill.

House Committee on Taxation

In the House Committee hearing, **proponent** testimony was provided by Representative Stogsdill, who stated the tax exemption would make Kansas more competitive with surrounding states and would reduce health care costs for the state and Kansans.

No other testimony was provided.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, the Department of Revenue indicated passage of the bill would decrease state revenues in FY 2023 by \$20.5 million, with State General Fund (SGF) revenues decreased by \$17.2 million and the State Highway Fund (SHF) revenues by \$3.3 million. For FY 2024, the Department indicated reduction in SGF revenues of \$19.1 million and SHF of \$3.7 million; for FY 2025, reduction in SGF of \$19.5 million and SHF of \$3.7 million; for FY 2026, reduction in SGF of \$19.8 million and SHF of \$3.8 million; and for FY 2027, reduction in SGF of \$20.2 million and SHF of \$3.9 million.

Enactment of the bill is also estimated to decrease local sales tax revenues, but specific amounts were not calculated by the Department. Any fiscal effect associated with the bill is not reflected in *The FY 2023 Governor's Budget Report*.

Over-the-counter drugs; sales tax exemption