

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4297-02
Bill No.: SB 1096
Subject: Taxation and Revenue-General, Sales and Use; Funerals
Type: Original
Date: February 15, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$1,999,417)	(\$3,031,687)	(\$3,107,479)
School District Trust	(\$657,276)	(\$1,010,562)	(\$1,035,826)
Conservation	(\$82,160)	(\$126,320)	(\$129,478)
Parks and Soil	(\$65,728)	(\$101,056)	(\$103,583)
Total Estimated Net Effect on <u>All</u> State Funds	(\$2,804,581)	(\$4,269,625)	(\$4,376,367)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this legislation exempts coffins, caskets, and urns from state sales tax. The local tax will still apply. This legislation will create an item tax situation/additional line (similar to food) on the sales tax return.

DOR assumes MITS will need to be programmed to recognize the new item/tax rate for coffins, caskets and urns as well as a system test. The changes to MITS will require 692 hours of programming at a total cost of \$23,085. The State Data Center costs to implement the proposed legislation will be \$4,503.

In response to similar legislation, DOR staff assumed 80% of all taxable sales by funeral homes and crematories involve sales of the above items. Taxable sales for businesses in the SIC category "726-Funeral Service and Crematories" in FY 98 were \$108,925,594. If it is assumed that 80% of these sales represent these items, the amount of taxable sales that would be exempted in FY 98 would be \$87,140,475. 2.5% inflation is assumed.

Officials of the **Office of Administration - Division of Budget and Planning (BAP)** assume this bill would exempt coffins, caskets, and urns from sales tax. BAP has no data on spending on these items. Thus, BAP defers to the DOR estimate. This bill would have no impact on the Office of Administration.

Oversight assumes the fiscal impact would not occur until October 1, 2002. This is because the law would go into effect August 28, 2002, and a one month lag is assumed. This would result in eight months of fiscal impact in FY 2003. Estimates are based on 1998 sales data.

This proposal would result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (8 Mo.)	FY 2004	FY 2005
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GENERAL REVENUE

Loss - General Revenue Fund

Elimination of sales tax on coffins, caskets and urns	(\$1,971,829)	(\$3,031,687)	(\$3,107,479)
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Cost - Dept. of Revenue

KS:LR:OD (12/00)

<u>FISCAL IMPACT - State Government</u>	FY 2003 (8 Mo.)	FY 2004	FY 2005
Programming	<u>(\$27,588)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$1,999,417)</u>	<u>(\$3,031,687)</u>	<u>(\$3,107,479)</u>

VARIOUS STATE FUNDS

<u>Loss - School District Trust Fund</u> Elimination of sales tax on coffins, caskets and urns	(\$657,276)	(\$1,010,562)	(\$1,035,826)
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<u>Loss - Conservation Fund</u> Elimination of sales tax on coffins, caskets and urns	(\$82,160)	(\$126,320)	(\$129,478)
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<u>Loss - Parks and Soil Fund</u> Elimination of sales tax on coffins, caskets and urns	<u>(\$65,728)</u>	<u>(\$101,056)</u>	<u>(\$103,583)</u>
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ESTIMATED NET EFFECT ON ALL STATE FUNDS	<u>(\$2,804,581)</u>	<u>(\$4,269,625)</u>	<u>(\$4,376,367)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2003 (8 Mo.)	FY 2004	FY 2005
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

Small businesses who sell coffins, caskets and urns would be expected to be fiscally impacted to the extent they would no longer collect and pay state sales tax on these items.

DESCRIPTION

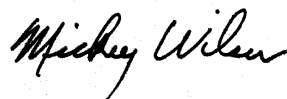
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This bill exempts from state sales and use taxes all sales of coffins, caskets, and urns. Local sales taxes will still apply to the sale.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration
Division of Budget and Planning



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