

AUDIT PROPOSAL

Study of Taxation and Exemption Issues

SOURCE

This study was included in Senate Substitute for House Bill 2313.

BACKGROUND

Senate Substitute for House Bill 2313 includes the following provision:

"The legislative post audit committee shall direct the legislative division of post audit to conduct a study of the economic impact of taxation and exemption issues relating to non-profit organizations and governmental entities competing against for-profit businesses. The study shall be conducted during calendar year 2021, and the final study report shall be submitted to the legislature on or before January 15, 2022."

OBJECTIVES AND TENTATIVE METHODOLOGY

The proposed steps for each objective are intended to convey the type of work we would do, but are subject to change as we learn more and are able to refine our methodology.

Objective 1: What are the economic impacts of tax or exemption differences for government and non-profit organizations that compete with similar for-profit businesses? Our tentative methodology would include the following:

- We would conduct initial research to identify services provided to Kansas by both a government or non-profit organizations as well as for-profit businesses.
- We would work with Department of Revenue officials and other relevant stakeholders to identify the taxes and exemptions that apply (or don't apply) to those organizations and businesses at both the state and local level.
- Based on a sample, we would collect relevant tax and exemption data for the selected entities. We would conduct an economic impact analysis based on standard economic theory to determine the impact of any significant tax differences. That analysis might look at the impact of tax differences on prices, wages, or jobs.
- We would discuss the results with Department of Revenue Officials and other relevant stakeholders.

ESTIMATED RESOURCES

We estimate this audit would require a team of **3 auditors** for a total of **4 months** (from the time the audit starts to our best estimate of when it would be ready for the committee).