

SESSION OF 2003

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2472

As Amended by House Committee of the Whole

Brief*

HB 2472 would increase the state sales and compensating use tax rate from 5.3 to 5.8 percent, effective June 1, 2003. The bill also would impose an individual income tax surtax of 3.5 percent, effective for tax year 2003. The surtax would sunset upon an action by the U.S. Congress authorizing the states to require remote sellers to collect and remit use tax on transactions subject to sales tax.

Another local sales tax section would prohibit cities and counties from imposing taxes and pledging the revenues to school districts for general use, education budget, capital improvement, or any other educational funding purpose.

Finally, the bill would increase the Base State Aid Per Pupil (BSAPP) component of the school finance formula to provide funding at the \$3,939 level for the 2003-2004 school year; the \$3,990 level for the 2004-2005 school year; and the \$4,040 level for the 2005-2006 school year.

Background

According to the Department of Education, the amount of additional general state aid appropriations necessary relative to current law to fund the increased BSAPP would be \$43.969 million in FY 2004; \$73.474 million in FY 2005; and \$102.400 million in FY 2006.

The estimated impact of the tax provisions of the bill would be as follows:

*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/klrd>

(\$ in millions)

| | Sales/Use 5 Tenths Rate Incr. | Sales/Use Eliminate Rate Decr. | Total Impact of Sales/Use Rate to 5.8% Indefinitely as of 6/1/03 | 3.5% Individual Income Tax Surcharge | Increase EITC to 20% of Fed. Credit | Expand Food Sales Tax Rebate Program | Total New Revenue |
|-------------------|-------------------------------------|--------------------------------------|--|---|--|---|----------------------|
| FY 2004 | \$182.645 | --- | \$182.645 | \$83.860 | (\$10.000) | (\$7.000) | \$249.505 |
| FY 2005 | \$189.157 | \$34.679 | \$223.836 | \$69.370 | (\$10.300) | (\$7.210) | \$275.696 |
| FY 2006 | \$195.900 | \$110.898 | \$306.798 | \$74.270 | (\$10.609) | (\$7.426) | \$363.033 |
| FY 2007 | \$202.885 | \$121.731 | \$324.616 | \$79.170 | (\$10.927) | (\$7.649) | \$385.210 |
| FY 2008 | \$210.118 | \$126.071 | \$336.189 | \$84.070 | (\$11.255) | (\$7.879) | \$401.126 |
| 5-Yr Total | \$980.705 | \$393.379 | \$1,374.084 | \$390.740 | (\$53.091) | (\$37.164) | \$1,674.569 |