



Department of Social and
Rehabilitation Services

Senate Committee on Assessment and Taxation
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SB 445

Presented by:

Michelle Schroeder, Public Policy Director and Acting Legislative
Director

Kansas Department of Social and Rehabilitation Services

For additional information, contact:
Michelle Schroeder, Public Policy Director and Acting Legislative Director
Docking State Office Building, 6th Floor North

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Attachment # 2

Chairman Donovan, thank you for the opportunity to testify before you today regarding SB 445.

The elimination of the refundable portion of the State earned income tax credit has a direct effect on the agency's ability to meet the Temporary Assistance for Needy Families (TANF) Program requirements.

Federal TANF rules allow only refundable tax credits to be claimed toward the maintenance of effort. SRS relies on refundable earned income tax credits to meet the \$65.9 million Temporary Assistance for Needy Families (TANF) Program state maintenance of effort requirement. Therefore, changing the State EITC to a non-refundable credit would prevent Kansas from claiming the earned income tax credit toward the TANF maintenance of effort. Under the TANF Program, Kansas is required to spend \$65.9 million in state expenditures which align with the purposes of the TANF Act. This requirement is termed the *TANF State Maintenance of Effort (TANF MOE)*.

Currently, the refundable portion of the State earned income tax credit (EITC) is the major TANF MOE source claimed by SRS (\$52 million in FY 2012). In the absence of the refundable portion of EITC, SRS projects falling short of the TANF MOE requirement by \$30 million*. If no action is taken to mitigate the TANF MOE shortfall, Kansas would be penalized dollar-for-dollar in TANF funds, resulting in a \$30 million TANF revenue loss. Furthermore, in the ensuing year, Kansas would be required to replace the penalized TANF funds with state funds, entailing a \$30 million SGF expenditure increase.

Concerning the timing of the impact, Senate Bill 339 would eliminate the State earned income tax credit in Calendar Year 2012. SRS claims the EITC in the subsequent fiscal year; in the case of the bill, the 2012 refundable earned income tax credits would have typically been claimed in FY 2013. Therefore this bill would impact SRS' TANF MOE position in FY 2013.

*The TANF MOE projection under SB 445 follows:

TANF MOE Source	TANF MOE Under SB 445
<i>SRS TANF MOE Sources</i>	
TANF Cash Assistance	\$12.3
Child Care State Funds	5.9
Family Preservation	0.3
<i>TANF MOE From Other Agencies</i>	
Four Year-Old At-Risk program	17.6
Kansas Earned Income Tax Credit	-
Total TANF MOE	36.1
TANF MOE Requirement	65.9
Shortfall	(\$29.8)