

February 8, 2011

The Honorable Anthony Brown, Chairperson
House Committee on Commerce and Economic Development
Statehouse, Room 151-S
Topeka, Kansas 66612

Dear Representative Brown:

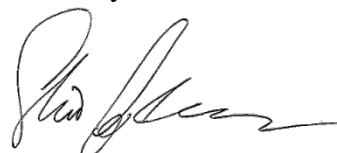
SUBJECT: Fiscal Note for HB 2135 by House Committee on Commerce and Economic Development

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2135 is respectfully submitted to your committee.

HB 2135 would prohibit the Department of Revenue from providing taxpayer information to the Department of Labor for the purpose of determining compliance with the Withholding and Declaration of Estimated Tax Act. The bill would eliminate the penalty for the misclassification of an employee as an independent contractor for the purpose of avoiding state income tax withholding and unemployment insurance contributions reporting requirements.

The Department of Revenue indicates that HB 2135 would decrease revenue to the State General Fund, but the amount of the reduction cannot be estimated. However, the Department indicates that audits arising from information exchanged with the Department of Labor have resulted in approximately \$300,000 in annual withholding tax collections. The Department of Labor has not provided any fiscal effect information for this bill. A revised fiscal note will be provided if the Department indicates the bill will have any fiscal effect.

Sincerely,



Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Steve Neske, Revenue
Bill Schafer, Department of Labor