

February 25, 2011

The Honorable Richard Carlson, Chairperson
House Committee on Taxation
Statehouse, Room 274-W
Topeka, Kansas 66612

Dear Representative Carlson:

SUBJECT: Fiscal Note for HB 2206 by Representative Kinzer

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2206 is respectfully submitted to your committee.

HB 2206 would create a non-refundable income tax credit equal to 25.0 percent of the credit claimed against the taxpayer's federal income tax liability under Section 24 of the federal Internal Revenue Code, which is the Child Tax Credit. The credit would be effective beginning in tax year 2011.

Estimated State Fiscal Effect				
	FY 2011 SGF	FY 2011 All Funds	FY 2012 SGF	FY 2012 All Funds
Revenue	--	--	(\$56,347,000)	(\$56,347,000)
Expenditure	--	--	\$105,643	\$105,643
FTE Pos.	--	--	--	1.00

The Department of Revenue estimates that HB 2206 would decrease State General Fund revenues by \$56,347,000 in FY 2012. The decrease in revenues and how the November 2, 2010 consensus revenue estimate for FY 2012 would be affected are shown in the following table:

Effect on FY 2012 Consensus Revenue Estimates
 (Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (Nov. 2, 2010)	Change in Revenue FY 2012	Proposed Adjusted CRE FY 2012
Motor Carrier	\$ 27,000	\$ --	\$ 27,000
Income Taxes:			
Individual	2,705,000	(56,347)	2,648,653
Corporate	275,000	--	275,000
Financial Institutions	21,000	--	21,000
Excise Taxes:			
Retail Sales	2,090,000	--	2,090,000
Compensating Use	295,000	--	295,000
Cigarette	97,000	--	97,000
Corporate Franchise	8,000	--	8,000
Severance	94,300	--	94,300
All Other Excise Taxes	96,400	--	96,400
Other Taxes	<u>127,000</u>	<u>--</u>	<u>127,000</u>
Total Taxes	\$5,835,700	(\$ 56,347)	\$5,779,353
Other Revenues:			
Interest	\$ 11,800	\$ --	\$ 11,800
Transfers	(93,700)	--	(93,700)
Agency Earnings	<u>56,800</u>	<u>--</u>	<u>56,800</u>
Total Other Revenues	(\$ 25,100)	\$ --	(\$ 25,100)
Total Receipts	\$5,810,600	(\$ 56,347)	\$5,754,253

To formulate this estimate, the Department of Revenue reviewed data on Kansas taxpayers that claimed the federal Child Tax Credit. In tax year 2008, approximately 255,000 Kansas taxpayers claimed nearly \$336.4 million in federal Child Tax Credits. Assuming the federal credit amount remains the same; a non-refundable Kansas Child Tax Credit equal to 25.0 percent of the federal amount would generate about \$84.1 million in total Kansas Child Tax Credits. Since this would be a non-refundable credit, it is estimated that only about 67.0 percent of the total credit amount would be able to be used by taxpayers. The net reduction in income tax receipts would be approximately \$56,347,000 (\$84.1 x 67.0 percent) in FY 2012.

The Department of Revenue indicates it would require \$105,643 from the State General Fund to implement this new tax credit in FY 2012. The Department indicates it would require \$50,203 for salary and wages and operational expenses for 1.00 new FTE position to manage the implementation of this new tax credit. This bill would require modifications to the automated tax system. The Department estimates that the bill would require 1,872 hours of contract

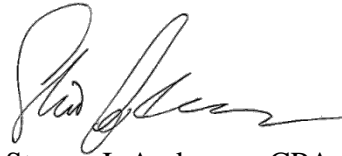
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programming time at a total cost of \$55,440. Any fiscal effect associated with HB 2206 is not reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

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

cc: Steve Neske, Revenue