



Steven J. Anderson, CPA, MBA, Director

Division of the Budget

Sam Brownback, Governor

March 1, 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 2349 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2349 is respectfully submitted to your committee.

HB 2349 would require any person claiming the Child and Dependent Care Tax Credit to provide the Department of Revenue with a valid Social Security number issued by the Social Security Administration for every claimant, household member, and dependent child.

Estimated State Fiscal Effect				
	FY 2011 SGF	FY 2011 All Funds	FY 2012 SGF	FY 2012 All Funds
Revenue	--	--	\$16,720	\$16,720
Expenditure	--	--	\$57,700	\$57,700
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2349 would increase revenues to the State General Fund by \$16,720 in FY 2012. The increase 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	17	2,705,017
Corporate	275,000	--	275,000
Financial Institutions	21,000	--	21,000

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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	\$ 17	\$5,835,717

Other Revenues:

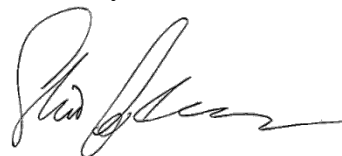
Interest	\$ 11,800	\$ --	\$ 11,800
Transfers	(93,700)	--	(93,700)
Agency Earnings	<u>56,800</u>	<u>--</u>	<u>56,800</u>
Total Other Revenues	(\$ 25,100)	\$ --	(\$ 25,100)

Total Receipts	\$5,810,600	\$ 17	\$5,810,617
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To formulate this estimate, the Department of Revenue reviewed data on the Child and Dependent Care Tax Credit. The Department indicates there were 72,000 taxpayers that claimed this credit in tax year 2009, with credits totaling \$9.5 million. Of this total, 125 taxpayers were allowed to claim \$16,720 in Child and Dependent Care Tax Credits without having a valid Social Security number for each individual, child, or dependent. Requiring a valid Social Security number to claim the food sales tax refund in tax year 2011 is estimated to increase revenues to the State General Fund by an estimated \$16,720 in FY 2012.

The Department of Revenue indicates the bill would require \$57,700 from the State General Fund in FY 2012 for administrative costs to modify the automated tax system. The Department estimates that the bill would require 1,460 hours of in-house programming and 480 hours of testing which would be performed by existing staff of the Department of Revenue. However, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, expenditures for outside contract programmer services beyond the Department's current budget may be required. Any fiscal effect associated with HB 2349 is not reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,



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

cc: Steve Neske, Revenue