

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 2355 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2355 is respectfully submitted to your committee.

HB 2355 would require any person claiming a food sales tax refund 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, in addition to a clear statement showing that the claimant qualifies for the refund.

Estimated State Fiscal Effect				
	FY 2011 SGF	FY 2011 All Funds	FY 2012 SGF	FY 2012 All Funds
Revenue	--	--	\$2,391,751	\$2,391,751
Expenditure	--	--	\$42,690	\$42,690
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2355 would increase revenues to the State General Fund by \$2,391,751 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	2,392	2,707,392
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	\$ 2,392	\$5,838,092
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	\$ 2,392	\$5,812,992

To formulate this estimate, the Department of Revenue reviewed data on total number of claimants for food sales tax refunds. The Department indicates there were 322,248 claims for food sales tax refunds in FY 2009, with refunds totaling \$42.4 million. Of this total, 9,773 taxpayers were allowed to use an Individual Taxpayer Identification Number (ITIN) to claim the refund for not having a valid Social Security number. Refunds to taxpayers using an ITIN in FY 2009 totaled \$2,391,751. Requiring a valid Social Security number to claim the food sales tax refund is estimated to increase revenues to the State General Fund by \$2,391,751 in FY 2012.

The Department of Revenue indicates the bill would require \$42,690 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 600 hours of in-house programming and 800 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 Honorable Richard Carlson, Chairperson

March 1, 2011

Page 3—Fisc_Note_Hb2355

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 2355 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