

February 9, 2012

The Honorable Les Donovan, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Donovan:

SUBJECT: Fiscal Note for SB 323 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 323 is respectfully submitted to your committee.

SB 323 would create a new income tax credit for a taxpayer who employs an apprentice for at least seven full months for tax year 2013 and in future tax years. The credit would be \$1,000 for the apprentice which could be carried over from year to year if the tax credit exceeds the income tax liability. For a taxpayer employing more than one apprentice, the credit would be \$1,000 for 1,200 hours worked by the apprentices in the tax year. A taxpayer may not claim the credit for more than four tax years. The apprentice must be employed in accordance with apprenticeship agreements registered with the Kansas Department of Commerce Apprenticeship Council.

Estimated State Fiscal Effect				
	FY 2012 SGF	FY 2012 All Funds	FY 2013 SGF	FY 2013 All Funds
Revenue	--	--	--	--
Expenditure	--	--	\$213,947	\$213,947
FTE Pos.	--	--	--	2.00

According to the Department of Commerce Apprenticeship Council, there were about 1,600 registered apprentices in 2011 and there were 2,000 in 2008, prior to the recession. The Department of Revenue projects that the number could return to 2,000 in tax year 2013 and in future years. The Department of Revenue therefore estimates that SB 323 would decrease State General Fund revenues by \$2.0 million in FY 2014 and each subsequent fiscal year (2,000 X \$1,000).

The Honorable Les Donovan, Chairperson

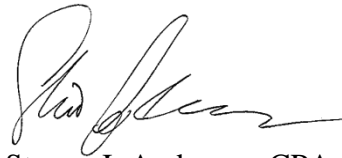
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For the Department of Revenue, this bill would require a new credit schedule, updated forms and reprogramming of agency systems. The estimated IT resources necessary to implement this bill are 1,400 hours of developer time. The agency would also need one additional customer service representative to review and answer inquiries about the new credit. Annual recurring costs for this staff person would be \$58,061 with one-time initial costs of \$5,216. At \$30 per hour for the IT work, the total administrative cost beginning in FY 2013 would be \$138,877. The operating costs would require additional State General Fund appropriations.

The Department of Commerce also reports it would need a new position on staff to administer the tax credit at an ongoing cost of \$75,070. The agency indicates this would be financed from the Economic Development Initiatives Fund. The Division of the Budget notes that the resources of the EDIF have been fully committed. Therefore, the additional costs, if added to the agency's budget, would have to be paid from the State General Fund. Any fiscal effect associated with SB 323 is not reflected in *The FY 2013 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: Jason Glasrud, Commerce
Steve Neske, Revenue