

March 21, 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 458 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 458 is respectfully submitted to your committee.

SB 458 would provide an income tax credit to bioscience companies that relocate operations to Kansas after July 1, 2012. The income tax credit would be available from tax year 2013 through tax year 2017 and would be equal to the income tax liability attributable to the relocated operations to Kansas. The bill uses the same definition of bioscience company that is defined in the Kansas Bioscience Authority statutes; however, general medical and surgical hospitals would not be allowed to claim the tax credit. A taxpayer claiming the bioscience income tax credit would not be eligible for the Promoting Employment Across Kansas (PEAK) Program.

Estimated State Fiscal Effect				
	FY 2012 SGF	FY 2012 All Funds	FY 2013 SGF	FY 2013 All Funds
Revenue	--	--	(\$60,000)	(\$60,000)
Expenditure	--	--	\$97,800	\$97,800
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 458 would decrease State General Fund revenues by \$60,000 in FY 2013. The decrease in revenues and how the November 4, 2011 consensus revenue estimate for FY 2013 would be affected are shown in the following table:

Effect on FY 2013 Consensus Revenue Estimates
(Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (Nov. 4, 2011)	Change in Revenue FY 2013	Proposed Adjusted CRE FY 2013
Motor Carrier	\$ 21,000	\$ --	\$ 21,000
Income Taxes:			
Individual	3,065,000	--	3,065,000
Corporate	240,000	(60)	239,940
Financial Institutions	24,000	--	24,000
Excise Taxes:			
Retail Sales	2,200,000	--	2,200,000
Compensating Use	335,000	--	335,000
Cigarette	92,000	--	92,000
Corporate Franchise	6,000	--	6,000
Severance	102,800	--	102,800
All Other Excise Taxes	96,000	--	96,000
Other Taxes	<u>141,000</u>	<u>--</u>	<u>141,000</u>
Total Taxes	\$6,322,800	(\$ 60)	\$6,322,740
Other Revenues:			
Interest	\$ 7,400	\$ --	\$ 7,400
Transfers	(90,300)	--	(90,300)
Agency Earnings	<u>51,500</u>	<u>--</u>	<u>51,500</u>
Total Other Revenues	(\$ 31,400)	\$ --	(\$ 31,400)
Total Receipts	\$6,291,400	(\$ 60)	\$6,291,340

The fiscal effect to state revenues during subsequent years would be as follows:

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
State General Fund	(\$260,000)	(\$480,000)	(\$700,000)	(\$930,000)

The Department of Revenue indicates the bill would require \$97,800 from the State General Fund in FY 2013 for administrative costs to design a new income tax credit schedule, update publications, and to modify the automated tax system. The required programming for this bill by itself (2,020 hours of in-house programming and 1,240 hours of implementation) would be performed by existing staff of the Department of Revenue. However, if the combined effect

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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 SB 458 is not reflected in *The FY 2013 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", written in a cursive style.

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

cc: Steve Neske, Revenue