

February 27, 2013

The Honorable Richard Carlson, Chairperson  
House Committee on Taxation  
Statehouse, Room 285-N  
Topeka, Kansas 66612

Dear Representative Carlson:

**SUBJECT:** Fiscal Note for HB 2329 by Representative Menghini, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2329 is respectfully submitted to your committee.

Under current law, the Kansas Earned Income Tax Credit (EITC) is calculated at 17.0 percent of the federal EITC claimed against the taxpayer's federal income tax liability for tax year 2013 and each tax year thereafter. HB 2329 would increase the amount of the Kansas EITC to 18.0 percent for tax year 2013 and each year thereafter.

Estimated State Fiscal Effect				
	FY 2013 SGF	FY 2013 All Funds	FY 2014 SGF	FY 2014 All Funds
Revenue	--	--	(\$5,400,000)	(\$5,400,000)
Expenditure	--	--	--	--
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2329 would decrease State General Fund revenues by \$5.4 million in FY 2014. The decrease in revenues and how the November 6, 2012 consensus revenue estimate for FY 2014 would be affected are shown in the following table:

Effect on FY 2014 Consensus Revenue Estimates  
(Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (Nov. 6, 2012)	Change in Revenue FY 2014	Proposed Adjusted CRE FY 2014
Motor Carrier	\$ 39,000	\$ --	\$ 39,000
Income Taxes:			
Individual	2,385,000	(5,400)	2,379,600
Corporate	360,000	--	360,000
Financial Institutions	30,000	--	30,000

Excise Taxes:

Retail Sales	1,952,000	--	1,952,000
Compensating Use	303,000	--	303,000
Cigarette	92,000	--	92,000
Corporate Franchise	6,000	--	6,000
Severance	137,400	--	137,400
All Other Excise Taxes	99,600	--	99,600
Other Taxes	<u>151,500</u>	<u>--</u>	<u>151,500</u>
Total Taxes	\$5,555,500	(\$ 5,400)	\$5,550,100

Other Revenues:

Interest	\$ 9,700	\$ --	\$ 9,700
Transfers	(155,900)	--	(155,900)
Agency Earnings	<u>55,000</u>	<u>--</u>	<u>55,000</u>
Total Other Revenues	(\$ 91,200)	\$ --	(\$ 91,200)
Total Receipts	\$5,464,300	(\$ 5,400)	\$5,458,900

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

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
State General Fund	(\$5,600,000)	(\$5,700,000)	(\$5,900,000)	(\$6,100,000)

To formulate these estimates, the Department of Revenue reviewed data on the Kansas EITC. The Department estimates that Kansas taxpayers will claim \$91.0 million in tax credits for tax year 2013 under the current rate of 17.0 percent of the amount of the federal tax credit. Increasing the amount of the Kansas EITC to 18.0 percent for tax year 2013 would increase the amount of credits claimed by \$5.4 million in FY 2014 and by \$5.6 million in FY 2015. The Department estimates that the amount of tax credits claimed will grow by approximately 3.0 percent each year. The Department indicates that the administrative costs associated with HB 2329 would be negligible and could be absorbed within existing resources.

The Kansas Department for Children and Families indicates the bill would allow the State of Kansas to claim a higher amount of refunded Kansas earned income tax credits toward the federal maintenance of effort requirements of the Temporary Assistance for Needy Families (TANF) program. However, the bill would have no direct effect on the operations of the Kansas Department for Children and Families. Any fiscal effect associated with HB 2329 is not reflected in *The FY 2014 Governor's Budget Report*.

Sincerely,



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

cc: Steve Neske, Revenue  
Jackie Aubert, DCF