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Steven J. Anderson, CPA, MBA, Director

Sam Brownback, Governor

May 2, 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 2409 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2409 is respectfully submitted to your committee.

HB 2409 would expand the alternative fuel income tax credit to allow a non-refundable income tax credit for 40.0 percent of the eligible costs of placing an alternative fuel fueling station into service after January 1, 2013. The bill would cap the maximum amount of tax credits allowed at $250,000 for each fueling station that is placed into service. The tax credit could be carried forward for up to three years until used.

The bill would provide a tax credit for 5.0 percent of the purchase price of a vehicle that can operate on a blend of 80.0 percent alternative fuel and 20.0 percent gasoline. The bill would cap the maximum amount of tax credits allowed at $750 for each vehicle. The person claiming the tax credit would be required to show evidence of purchasing 500 gallons of ethanol and gasoline blend, or alternative fuel and gasoline blend. The bill defines alternative fuel as liquified and compressed natural gas and combustible liquids derived from grain starch, oil seed, animal fat or other biomass; or produced from biogas source, including any nonfossilized, decaying, organic matter. The bill would also include dual fuel motor vehicles in the definition of qualified alternative-fueled motor vehicles. A dual fuel motor vehicle is a motor vehicle that can operate on a blend of an alternative fuel with a conventional fuel, such as compressed natural gas or diesel, as long as such motor vehicle is capable of operating on at least an 80.0 percent alternative fuel blend when not idling.

Estimated State Fiscal Effect				
	FY 2013 SGF	FY 2013 All Funds	FY 2014 SGF	FY 2014 All Funds
Revenue	--	--	($1,625,000)	($1,625,000)
Expenditure	--	--	$34,800	$34,800
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2409 would decrease State General Fund revenues by $1,625,000 in FY 2014. The decrease in revenues and how the April 19, 2013 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 (April 19, 2013)	Change in Revenue FY 2014	Proposed Adjusted CRE FY 2014
Motor Carrier	$ 41,000	$ --	$ 41,000
Income Taxes:			
Individual	2,400,000	--	2,400,000
Corporate	370,000	(1,625)	368,375
Financial Institutions	31,000	--	31,000
Excise Taxes:			
Retail Sales	1,920,000	--	1,920,000
Compensating Use	295,000	--	295,000
Cigarette	90,000	--	90,000
Corporate Franchise	6,000	--	6,000
Severance	132,800	--	132,800
All Other Excise Taxes	100,000	--	100,000
Other Taxes	162,000	--	162,000
Total Taxes	$5,547,800	($ 1,625)	$5,546,175
Other Revenues:			
Interest	$ 10,400	$ --	$ 10,400
Transfers	(159,930)	--	(159,930)
Agency Earnings	56,000	--	56,000
Total Other Revenues	($ 93,530)	$ --	($ 93,530)
Total Receipts	$5,454,270	($ 1,625)	$5,452,645

To formulate this estimate, the Department of Revenue reviewed data on the alternative fuel tax credit. The Department of Revenue indicates that no accurate information is available to estimate the number of alternative fueling stations that would be built or the number of vehicles that would be eligible for the 5.0 percent tax credit for purchasing a vehicle that can operate on a blend of 80.0 percent alternative fuel and 20.0 percent gasoline or dual fuel motor vehicles. The Department of Revenue estimates that if five alternative fueling stations are placed into service in tax year 2013 and each fueling station claims the maximum $250,000 tax credit, then corporate income tax receipts would be reduced by an estimated $1,250,000 in FY 2014. If 500 vehicles are eligible for the 5.0 percent tax credit and each vehicle claims the maximum $750 tax credit, then corporate income tax receipts would be reduced by an estimated $375,000 in FY 2014. Therefore, the net fiscal effect of HB 2409 would be a decrease of corporate income tax receipts in FY 2014 of $1,625,000 ($1,250,000 from fueling stations and $375,000 from vehicles).

The Department of Revenue indicates that it would require $34,800 from the State General Fund in FY 2014 to implement the bill for the costs associated with updating forms and instructions and to modify the automated tax system. The required programming for this bill by itself (464 hours of in-house programming and 720 hours of implementation) 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 2409 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
Ben Cleeves, KDOT
Tom Day, KCC