

March 19, 2014

The Honorable Richard Carlson, Chairperson
House Committee on Taxation
Statehouse, Room 185-N
Topeka, Kansas 66612

Dear Representative Carlson:

SUBJECT: Fiscal Note for HB 2670 by House Committee on Veterans, Military and Homeland Security

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2670 is respectfully submitted to your committee.

HB 2670 would expand the Homestead Property Tax Refund Program to provide an income tax credit for 100.0 percent of the amount of the property taxes paid on a home owned by a completely disabled veteran. The bill defines a completely disabled veteran as a person who is a resident of Kansas and has been honorably discharged from active service, including active duty or active duty for training, in any branch of the armed forces of the United States or Kansas national guard and who is entitled to compensation for a service-connected disability of 100.0 percent under the laws administered by the Veterans Administration. The tax credit would be available to qualifying taxpayers beginning in tax year 2014.

Estimated State Fiscal Effect				
	FY 2014 SGF	FY 2014 All Funds	FY 2015 SGF	FY 2015 All Funds
Revenue	--	--	(\$4,040,000)	(\$4,040,000)
Expenditure	--	--	\$52,200	\$52,200
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2670 would decrease State General Fund revenues by \$4,040,000 in FY 2015. The decrease in revenues and how the November 6, 2013 consensus revenue estimate for FY 2015 would be affected are shown in the following table:

Effect on FY 2015 Consensus Revenue Estimates
(Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (Nov. 6, 2013)	Change in Revenue FY 2015	Proposed Adjusted CRE FY 2015
Motor Carrier	\$ 24,000	\$ --	\$ 24,000
Income Taxes:			
Individual	2,525,000	(4,040)	2,520,960
Corporate	380,000	--	380,000
Financial Institutions	34,500	--	34,500
Excise Taxes:			
Retail Sales	2,160,000	--	2,160,000
Compensating Use	355,000	--	355,000
Cigarette	89,000	--	89,000
Severance	135,000	--	135,000
All Other Excise Taxes	111,000	--	111,000
Other Taxes	<u>161,700</u>	<u>--</u>	<u>161,700</u>
Total Taxes	\$5,975,200	(\$ 4,040)	\$5,971,160
Other Revenues:			
Interest	\$ 10,000	\$ --	\$ 10,000
Transfers	(118,000)	--	(118,000)
Agency Earnings	<u>49,900</u>	<u>--</u>	<u>49,900</u>
Total Other Revenues	(\$ 58,100)	\$ --	(\$ 58,100)
Total Receipts	\$5,917,100	(\$ 4,040)	\$5,913,060

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

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
State General Fund	(\$4,040,000)	(\$4,040,000)	(\$4,040,000)	(\$4,040,000)

To formulate these estimates, the Department of Revenue reviewed data on disabled veterans from the United States Department of Veterans Affairs. The Department of Revenue estimates that there are approximately 3,300 disabled veterans in the state with a disability rating of 100.0 percent; however, it is estimated that 2,475, or 75.0 percent, would qualify for this tax credit by owning their home. The Department estimates that these individuals pay approximately \$4,750,000 in property taxes based on the median home value in Kansas of \$127,400 and the average county mill levy of 131 in tax year 2012. The Department estimates that completely disabled veterans already claim approximately \$710,000 in income tax credits under the current qualifications for the Homestead Property Tax Refund Program. Therefore, the fiscal effect of providing completely disabled veterans with an income tax for 100.0 percent of

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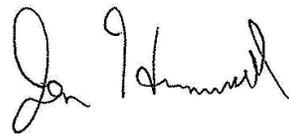
March 19, 2014

Page 3—HB 2670

the amount of property taxes paid would be a reduction of individual income tax revenue of \$4,040,000 (\$4,750,000 minus \$710,000).

The Department indicates that the bill would require \$52,200 from the State General Fund in FY 2015 to update forms and instructions and to modify the automated tax system. The required programming for this bill by itself 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 2670 is not reflected in *The FY 2015 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Hummell". The signature is fluid and cursive, with the first name "Jon" being more prominent than the last name "Hummell".

Jon Hummell,
Interim Director of the Budget

cc: Steve Neske, Department of Revenue
Kafer Peele, Veterans Affairs