

February 14, 2013

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 106 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 106 is respectfully submitted to your committee.

SB 106 would allow a non-refundable income tax credit for expenses for household and dependent care services necessary for gainful employment. The state tax credit would be 25.0 percent of the credit claimed against the taxpayer's federal income tax liability under Section 21 of the federal Internal Revenue Code, which authorizes the federal child and dependent care tax credit. The bill requires any taxpayer claiming the credit to provide a valid Social Security number. The credit would take effect beginning in tax year 2013. The bill would reauthorize this tax credit which was eliminated in the major income tax reduction bill of the 2012 Legislative Session (HB 2117).

Estimated State Fiscal Effect				
	FY 2013 SGF	FY 2013 All Funds	FY 2014 SGF	FY 2014 All Funds
Revenue	--	--	(\$9,100,000)	(\$9,100,000)
Expenditure	--	--	--	--
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 106 would decrease State General Fund revenues by \$9.1 million in FY 2014 and in each future fiscal year. 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	(9,100)	2,375,900
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	(\$ 9,100)	\$5,546,400
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	(\$ 9,100)	\$5,455,200

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	(\$9,100,000)	(\$9,100,000)	(\$9,100,000)	(\$9,100,000)

To formulate these estimates, the Department of Revenue reviewed data on the child and dependent care tax credit. The Department indicates that 66,882 Kansas taxpayers claimed \$9.1 million in state child and dependent care tax credits in tax year 2011. The Department of Revenue indicates the costs associated with implementing the bill would be negligible and could be absorbed within existing resources.

The Kansas Department for Aging and Disability Services (KDADS) indicates the bill would have no fiscal effect on its operations. However, the bill has the potential to provide

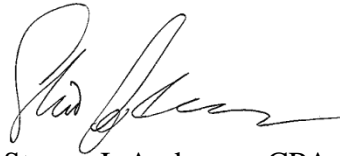
The Honorable Les Donovan, Chairperson

February 14, 2013

Page 3—SB 106

benefits to taxpayers who also receive services from KDADS. Any fiscal effect associated with SB 106 is not reflected in *The FY 2014 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: Steve Neske, Revenue  
Dave Halferty, KDADS