

March 22, 2013

REVISED

The Honorable Les Donovan, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Donovan:

SUBJECT: Revised Fiscal Note for SB 234 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following revised fiscal note concerning SB 234 is respectfully submitted to your committee.

SB 234 would provide a sales tax exemption for all equipment used in surface mining activities. The sales tax exemption would begin at the time a reclamation plan is filed with the Kansas Department of Agriculture Division of Conservation and would end when the final site reclamation has been completed.

Estimated State Fiscal Effect				
	FY 2013 SGF	FY 2013 All Funds	FY 2014 SGF	FY 2014 All Funds
Revenue	--	--	(\$1,000,000)	(\$1,200,000)
Expenditure	--	--	\$525	\$525
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 234 would decrease state revenues by \$1.2 million in FY 2014. Of that total, the State General Fund is estimated to decrease by \$1.0 million in FY 2014, while the State Highway Fund is estimated to decrease by \$200,000 in FY 2014. The bill would also reduce local sales tax revenues; however, the amount was not estimated. 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	--	2,385,000
Corporate	360,000	--	360,000
Financial Institutions	30,000	--	30,000
Excise Taxes:			
Retail Sales	1,952,000	(1,000)	1,951,000
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	(\$ 1,000)	\$5,554,500
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	(\$ 1,000)	\$5,463,300

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	(\$1,037,500)	(\$1,050,000)	(\$1,100,000)	(\$1,150,000)
State Highway Fund	<u>(212,500)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>
	(\$1,250,000)	(\$1,300,000)	(\$1,350,000)	(\$1,400,000)

To formulate these estimates, the Department of Revenue reviewed capital expenditure data from the United States Census. The Department assumes that capital expenditures are relatively constant from year-to-year and estimates that 75.0 percent of expenditures for equipment that is used in processing the materials extracted in the mining process are already exempt from sales tax and that this proposal would exempt the remaining expenditures. In the fiscal effect statement originally issued, the Department had estimated that 50.0 percent of this type of equipment would already be exempt from sales taxes. However, after reviewing additional information on equipment that the courts have determined to be exempt and how that

The Honorable Les Donovan, Chairperson

March 22, 2013

Page 3—SB 234 Revised

equipment overlaps between processing equipment and mining equipment, the Department increased its estimate for equipment that is already exempt to 75.0 percent and revised its fiscal effect for the bill. According to the Department of Revenue, reissuing sales tax publications would cost \$525 from the State General Fund. Other tasks to implement the exemption, including the issuances of notices and regulations could be absorbed within existing resources. Any fiscal effect associated with SB 234 is not reflected in *The FY 2014 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