

March 14, 2014

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 419 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 419 is respectfully submitted to your committee.

SB 419 would allow gold and silver bullion coins issued by the federal government to be used as legal tender in Kansas. However, the bill would not allow someone to compel another person to accept gold and silver coins in payment.

Calculations for Kansas income taxes are based on the Kansas adjusted gross income, which is calculated by adding or subtracting certain types of income from the amount of federal adjusted gross income. The bill would allow a subtraction modification for any capital gain from the sale of gold and silver bullion coins issued by the federal government. The subtraction modification would be available to taxpayers beginning in tax year 2014. The bill would also provide a retail sales tax exemption for all sales of gold and silver bullion coins issued by the federal government.

Estimated State Fiscal Effect				
	FY 2014 SGF	FY 2014 All Funds	FY 2015 SGF	FY 2015 All Funds
Revenue	--	--	(\$1,990,000)	(\$2,400,000)
Expenditure	--	--	\$59,160	\$59,160
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 419 would decrease state revenues by \$2,400,000 in FY 2015. Of that total, the State General Fund is estimated to decrease by \$1,990,000 in FY 2015, while the State Highway Fund is estimated to decrease by \$410,000 in

The Honorable Les Donovan, Chairperson

March 14, 2014

Page 2—SB 419

FY 2015. This bill also is estimated to decrease local revenues by \$600,000 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	--	2,525,000
Corporate	380,000	--	380,000
Financial Institutions	34,500	--	34,500
Excise Taxes:			
Retail Sales	2,160,000	(1,990)	2,158,010
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	(\$ 1,990)	\$5,973,210
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	(\$ 1,990)	\$5,915,110

The fiscal effect to 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	(\$2,060,000)	(\$2,140,000)	(\$2,220,000)	(\$2,300,000)
State Highway Fund	(420,000)	(440,000)	(460,000)	(470,000)
Local Governments	<u>(620,000)</u>	<u>(640,000)</u>	<u>(670,000)</u>	<u>(690,000)</u>
	(\$3,100,000)	(\$3,220,000)	(\$3,350,000)	(\$3,460,000)

To formulate these estimates, the Department of Revenue reviewed data from the United States Mint. The Department indicates that the United States Mint sold \$3.245 billion in gold and silver bullion coins in 2013. Data are not available on the specific volume and dollar value of

The Honorable Les Donovan, Chairperson

March 14, 2014

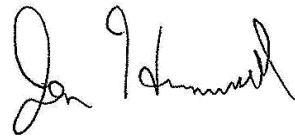
Page 3—SB 419

gold and silver bullion coins that are sold in Kansas; however, the Department assumes that Kansas would be 1.0 percent of the United States total and estimates that sales of gold and silver bullion coins in Kansas totaled \$32,450,000 in 2013. The Department indicates that the current sales of gold and silver bullion coins by the federal government are not subject to retail sales tax; therefore, the only sales affected by this bill are sales by retailers (sales by individuals would not be subject to the retail sales tax as they would be considered an isolated or occasional sale). The Department does not have information to accurately estimate the annual amount of capital gains from the sales of gold and silver bullion coins issued by the federal government. No estimate of the fiscal effect on that portion of the bill was provided by the Department of Revenue.

The Department indicates that the bill would require \$59,160 from the State General Fund in FY 2015 to implement the bill 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.

The State Treasurer indicates that if it decides to accept gold and silver bullion coins as legal tender then it would have to develop procedures for handling the coins. Assuming that the number of transactions involving gold and silver bullion coins would be small, the transaction costs associated with accepting gold and silver bullion coins would be negligible. However, it is unknown if the State Treasurer or any other state agency would decide to accept gold and silver bullion coins as legal tender. Any fiscal effect associated with SB 419 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, Revenue  
Derek Kreifels, Treasurer's Office