

February 20, 2015

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

Dear Representative KleeB:

**SUBJECT:** Fiscal Note for HB 2209 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2209 is respectfully submitted to your committee.

Under current law, corporate taxpayers are allowed to claim a refundable tax credit for contributions to an Individual Development Account. HB 2209 would allow individual income taxpayers to claim this tax credit beginning in tax year 2015.

Estimated State Fiscal Effect				
	FY 2015 SGF	FY 2015 All Funds	FY 2016 SGF	FY 2016 All Funds
Revenue	--	--	(\$300,000)	(\$300,000)
Expenditure	--	--	\$40,800	\$40,800
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2209 would decrease State General Fund revenues by approximately \$300,000 in FY 2016. The decrease in revenues and how the November 10, 2014 consensus revenue estimate for FY 2016 would be affected are shown in the following table:

Effect on FY 2016 Consensus Revenue Estimates  
 (Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (Nov.10, 2014)	Change in Revenue FY 2016	Proposed Adjusted CRE FY 2016
Motor Carrier	\$ 12,000	\$ --	\$ 12,000
Income Taxes:			
Individual	2,300,000	(300)	2,299,700
Corporate	470,000	--	470,000
Financial Institutions	39,000	--	39,000
Excise Taxes:			
Retail Sales	2,270,000	--	2,270,000
Compensating Use	380,000	--	380,000
Cigarette	88,000	--	88,000
Severance	115,900	--	115,900
All Other Excise Taxes	114,100	--	114,100
Other Taxes	<u>181,600</u>	<u>--</u>	<u>181,600</u>
Total Taxes	\$ 5,970,600	(\$ 300)	\$ 5,970,300
Other Revenues:			
Interest	\$ 8,000	\$ --	\$ 8,000
Transfers	(222,500)	--	(222,500)
Agency Earnings	<u>55,300</u>	<u>--</u>	<u>55,300</u>
Total Other Revenues	(\$ 159,200)	\$ --	(\$ 159,200)
Total Receipts	\$ 5,811,400	(\$ 300)	\$ 5,811,100

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

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
State General Fund	(\$300,000)	(\$300,000)	(\$300,000)	(\$300,000)

To formulate these estimates, the Department of Revenue reviewed data on the amount of Individual Development Account Tax Credits that were claimed by individual income taxpayers in tax year 2012, which was the last tax year that individual income taxpayers could claim this tax credit. The Department indicates that approximately \$294,000 in tax credits were claimed by individual taxpayers in tax year 2012. Assuming that approximately the same amount of tax credits would be claimed by individual taxpayers in tax year 2015, the Department of Revenue estimates that a total of \$300,000 in tax credits would be claimed in FY 2016 and each future fiscal year.

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The Department of Revenue indicates the bill it would require \$40,800 from the State General Fund 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 2209 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,  
Director of the Budget

cc: Jack Smith, Department of Revenue