

March 16, 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 2400 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2400 is respectfully submitted to your committee.

Under current law, the Local Ad Valorem Tax Reduction Fund (LAVTRF) will receive a \$54.0 million transfer from the State General Fund in FY 2016 and in each future fiscal year. HB 2400 would eliminate the State General Fund transfers to the LAVTRF and delete all statutory references to the LAVTRF.

Estimated State Fiscal Effect				
	FY 2015 SGF	FY 2015 All Funds	FY 2016 SGF	FY 2016 All Funds
Revenue	--	--	\$54,000,000	\$54,000,000
Expenditure	--	--	--	--
FTE Pos.	--	--	--	--

HB 2400 would increase State General Fund revenues by \$54.0 million in FY 2016 and in each future fiscal year. The increase 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	--	2,300,000
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	\$ --	\$5,970,600
Other Revenues:			
Interest	\$ 8,000	\$ --	\$ 8,000
Transfers	(222,500)	54,000	(168,500)
Agency Earnings	<u>55,300</u>	<u>--</u>	<u>55,300</u>
Total Other Revenues	(\$ 159,200)	\$ 54,000	(\$ 105,200)
Total Receipts	\$5,811,400	\$ 54,000	\$5,865,400

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	\$54,000,000	\$54,000,000	\$54,000,000	\$54,000,000

Beginning in FY 2003, transfers from the State General Fund to the LAVTRF have been temporarily suspended by appropriation bills. Under current law, the LAVTRF is scheduled to resume with \$54.0 million being transferred from the State General Fund in FY 2016 and in each future fiscal year. However, *The FY 2016 Governor's Budget Report* temporarily suspends the LAVTRF transfers in FY 2016 and FY 2017. The bill would make the suspension of the LAVTRF transfers permanent beginning in FY 2016.

The League of Kansas Municipalities and the Kansas Association of Counties indicate that the bill would eliminate future funding for the LAVTR that would be used to reduce property tax levies in local governments across the state by a total of \$54.0 million in FY 2016 and each

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future fiscal year. The fiscal effect on each local government would vary across the state because distributions from the LAVTR are based on current assessed valuations and certified population levels.

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, KDOR
Jody Allen, Tax Appeals
Melissa Wangemann, KAC
Larry Baer, LKM