Landon State Office Building
900 SW Jackson Street, Room 504
Topeka, KS 66612

Kansas
Division of the Budget

Phone: (785) 296-2436
Fax: (785) 296-0231
shawn.sullivan@budget.ks.gov

Shawn Sullivan, Director of the Budget

Sam Brownback, Governor

July 22, 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 2428 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2428 is respectfully submitted to your committee.

HB 2428 would lower the normal tax rate and surtax rate for corporate income tax filers beginning in tax year 2016. The bill lowers the normal tax rate from 4.00 percent to 3.62 percent and lowers the surtax tax rate from 3.00 percent to 2.62 percent. The bill would eliminate the following tax credits and tax emption programs beginning in tax year 2016:

1. Sales tax exemption under the Kansas Enterprise Zone Act;
2. High Performance Incentive Program (HPIP) tax credits and related sales tax exemption; and
3. New benefits under the Promoting Employment Across Kansas (PEAK) Act.

Previous benefits under these tax credits and tax emption programs could continue to be claimed until completely exhausted as long as all requirements continue to be met.

Estimated State Fiscal Effect				
	FY 2015 SGF	FY 2015 All Funds	FY 2016 SGF	FY 2016 All Funds
Revenue	--	--	--	--
Expenditure	--	--	$82,269	$82,269
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2428 would be revenue neutral. Eliminating these tax credits and tax emption programs would increase State General Fund revenues by approximately $47.7 million in FY 2017, which would be offset by the same amount from reducing corporate income tax rates.

The Department of Revenue indicates that the bill would require $82,269 from the State General Fund in FY 2016 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 Department of Commerce indicates that it is currently responsible for administering the PEAK and HPIP programs, including the application process, monitoring eligibility requirements, and reviewing and reporting on benefits. The Department of Commerce indicates that staff time and resources would still be necessary in FY 2017 to maintain agreements with companies until after contracts expire. Any fiscal effect associated with HB 2428 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,

Shawn Sullivan,
Director of the Budget

cc: Jack Smith, Department of Revenue
Dan Lara, Commerce
Glenda Haverkamp, Insurance
Ben Cleeves, Transportation
Larry Baer, League of Municipalities
Melissa Wangemann, Association of Counties