

March 9, 2016

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

Dear Representative Kleeb:

SUBJECT: Fiscal Note for HB 2671 by Representative Whipple, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2671 is respectfully submitted to your committee.

HB 2671 would allow renters to claim the Homestead Property Tax Refund for tax year 2016 and in each future tax year.

Estimated State Fiscal Effect				
	FY 2016 SGF	FY 2016 All Funds	FY 2017 SGF	FY 2017 All Funds
Revenue	--	--	(\$14,000,000)	(\$14,000,000)
Expenditure	--	--	\$239,608	\$239,608
FTE Pos.	--	--	--	3.00

The Department of Revenue estimates that HB 2671 would decrease State General Fund revenues by \$14.0 million in FY 2017. The decrease in revenues and how the November 6, 2015 consensus revenue estimate for FY 2017 would be affected are shown in the following table:

Effect on FY 2017 Consensus Revenue Estimates
(Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (Nov. 6, 2015)	Change in Revenue FY 2017	Proposed Adjusted CRE FY 2017
Income Taxes:			
Individual	\$2,485,000	(\$ 14,000)	\$2,471,000
Corporate	420,000	--	420,000
Financial Institutions	47,000	--	47,000
Excise Taxes:			
Retail Sales	2,380,000	--	2,380,000
Compensating Use	395,000	--	395,000
Cigarette	135,000	--	135,000
Severance	58,200	--	58,200
All Other Excise Taxes	116,400	--	116,400
Other Taxes	<u>173,300</u>	<u>--</u>	<u>173,300</u>
Total Taxes	\$6,209,900	(\$ 14,000)	\$6,195,900
Other Revenues:			
Interest	\$ 9,200	\$ --	\$ 9,200
Transfers	17,600	--	17,600
Agency Earnings	<u>49,000</u>	<u>--</u>	<u>49,000</u>
Total Other Revenues	\$ 75,800	\$ --	\$ 75,800
Total Receipts	\$6,285,700	(\$ 14,000)	\$6,271,700

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

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
State General Fund	(\$14,600,000)	(\$15,100,000)	(\$15,700,000)	(\$16,400,000)

To formulate these estimates, the Department of Revenue reviewed data on the Homestead Property Tax Refund. The Department indicates that the Homestead Property Tax Refund was last available to renters in tax year 2012 and estimates that taxpayers would claim \$14.0 million in Homestead Property Tax Refunds in tax year 2017 or FY 2017.

The Department indicates that the bill would require \$239,608 from the State General Fund in FY 2017 to implement the bill and to modify the automated tax system. The bill would require the Department to hire 3.00 new Customer Service Representatives to review and process Homestead Property Tax Refund claims from renters. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. However, if the

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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 Administration indicates that adjusting state income tax collections has the potential to have a fiscal effect on the amount of revenue collected from its debt setoff program. This program intercepts individual income tax refunds and homestead tax refunds and applies those amounts to debts owed to state agencies, municipalities, district courts, and state agencies in other states. Debts include, but are not limited to child support, taxes, educational expenses, fines, services provided to the debtor, and court ordered restitution. As the dollar amounts of refunds are increased, the amount available for possible debt setoffs is also increased. However, the Department is unable to make a precise estimate of the amount of debts setoffs that will be intercepted as a result of the bill. Any fiscal effect associated with HB 2671 is not reflected in *The FY 2017 Governor's Budget Report*.

Sincerely,

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

Shawn Sullivan,
Director of the Budget

cc: Jack Smith, Department of Revenue
Colleen Becker, Department of Administration