

February 26, 2015

The Honorable Les Donovan, Sr., Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Donovan:

SUBJECT: Fiscal Note for SB 199 by Senator Hensley, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning SB 199 is respectfully submitted to your committee.

SB 199 would allow a non-refundable income tax credit for expenses for household and dependent care services necessary for gainful employment. The state tax credit would be 25.0 percent of the credit claimed against the taxpayer's federal income tax liability under Section 21 of the federal Internal Revenue Code, which authorizes the federal child and dependent care tax credit. The bill requires any taxpayer claiming the credit to provide a valid Social Security number. The credit would take effect beginning in tax year 2015.

Estimated State Fiscal Effect				
	FY 2015 SGF	FY 2015 All Funds	FY 2016 SGF	FY 2016 All Funds
Revenue	--	--	(\$9,000,000)	(\$9,000,000)
Expenditure	--	--	\$68,840	\$68,840
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 199 would decrease State General Fund revenues by \$9.0 million in FY 2016 and by \$9.2 million in FY 2017. 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	(9,000)	2,291,000
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	(\$ 9,000)	\$5,961,600
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	(\$ 9,000)	\$ 5,802,400

To formulate these estimates, the Department of Revenue reviewed data on the amount of Child and Dependent Care 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 68,500 Kansas taxpayers claimed \$8.9 million in state Child and Dependent Care Tax Credits 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 \$9.0 million in tax credits would be claimed in FY 2016 and \$9.2 million in FY 2017.

The Department indicates that the bill would require \$68,840 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 Kansas Department for Aging and Disability Services (KDADS) indicates the bill would have no fiscal effect on its operations. However, the bill has the potential to provide benefits to taxpayers who also receive services from KDADS. Any fiscal effect associated with SB 199 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
Brad Ridley, Aging & Disability Services