

May 4, 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 286 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 286 is respectfully submitted to your committee.

SB 286 would require an individual claiming a tax credit to have a valid Social Security number for the entire taxable year that the tax credit is claimed.

Estimated State Fiscal Effect				
	FY 2015 SGF	FY 2015 All Funds	FY 2016 SGF	FY 2016 All Funds
Revenue	--	--	\$3,000,000	\$3,000,000
Expenditure	--	--	\$19,200	\$19,200
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 286 would increase State General Fund revenues by \$3.0 million in FY 2016. The increase in revenues and how the April 20, 2015 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 (April 20, 2015)	Change in Revenue FY 2016	Proposed Adjusted CRE FY 2016
Motor Carrier	\$ 11,000	\$ --	\$ 11,000
Income Taxes:			
Individual	2,300,000	3,000	2,303,000
Corporate	440,000	--	440,000
Financial Institutions	44,000	--	44,000

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Excise Taxes:

Retail Sales	2,240,000	--	2,240,000
Compensating Use	370,000	--	370,000
Cigarette	88,000	--	88,000
Severance	73,800	--	73,800
All Other Excise Taxes	113,700	--	113,700
Other Taxes	<u>190,500</u>	<u>--</u>	<u>190,500</u>
Total Taxes	\$5,871,000	\$ 3,000	\$5,874,000

Other Revenues:

Interest	\$ 17,800	\$ --	\$ 17,500
Transfers	(232,680)	--	(232,680)
Agency Earnings	<u>57,100</u>	<u>--</u>	<u>57,100</u>
Total Other Revenues	(\$ 157,780)	\$ --	(\$ 157,780)

Total Receipts \$5,713,220 \$ 3,000 \$5,716,220

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	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000

To formulate these estimates, the Department of Revenue reviewed data on individual income taxes receipts, dependent information, and tax credits. The Department indicates that approximately 200,000 taxpayers with 300,000 dependents claimed a tax credit on their Kansas individual income tax form. If 5.0 percent of those taxpayers do not meet the requirement of having a valid Social Security number for the entire taxable year that the tax credit is claimed and assuming that the average tax credit is \$300, the estimated impact would be a reduction of individual income tax credits claimed by approximately \$3.0 million for each tax year.

The Department indicates that the bill would require \$19,200 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. Any fiscal effect associated with SB 286 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,  
Director of the Budget

cc: Jack Smith, KDOR