

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 287 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 287 is respectfully submitted to your committee.

SB 287 would change the following tax credits from refundable to non-refundable beginning in tax year 2015:

1. Small Employer Healthcare Tax Credit;
2. Regional Foundation Tax Credit;
3. Individual Development Account Tax Credit;
4. Disabled Access Tax Credit;
5. Child Day Care Assistance Tax Credit;
6. Community Service Contribution Tax Credit; and
7. Telecommunication and Railroad Tax Credit.

Estimated State Fiscal Effect				
	FY 2015 SGF	FY 2015 All Funds	FY 2016 SGF	FY 2016 All Funds
Revenue	--	--	\$4,000,000	\$4,000,000
Expenditure	--	--	\$43,200	\$43,200
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 287 would increase State General Fund revenues by \$4.0 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	2,400	2,302,400
Corporate	440,000	1,600	441,600
Financial Institutions	44,000	--	44,000
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	\$ 4,000	\$5,875,000
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	\$ 4,000	\$5,717,220

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	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000

To formulate these estimates, the Department of Revenue reviewed data on the Small Employer Healthcare Tax Credit, Regional Foundation Tax Credit, Individual Development Account Tax Credit, Disabled Access Tax Credit, Child Day Care Assistance Tax Credit, Community Service Contribution Tax Credit, and Telecommunication and Railroad Tax Credit for tax year 2013. The Department indicates that the refundable portion of these tax credits were approximately \$4.0 million in tax year 2013. Assuming similar results in future tax years, the bill is estimated to increase State General Fund tax receipts by a total of \$4.0 million in tax year 2015 or FY 2016, including \$2.4 million from individual income taxes and \$1.6 million from corporate income taxes.

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The Department indicates that the bill would require \$43,200 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 287 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, KDOR
Dan Lara, Commerce
Glenda Haverkamp, Insurance Department