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Shawn Sullivan, Director of the Budget

Sam Brownback, Governor

March 6, 2017

The Honorable Les Mason, Chairperson
House Committee on Commerce, Labor and Economic Development
Statehouse, Room 521-E
Topeka, Kansas 66612

Dear Representative Mason:

SUBJECT: Fiscal Note for HB 2163 by House Committee on Commerce, Labor and Economic Development

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2163 is respectfully submitted to your committee.

HB 2163 would allow taxpayers to claim the Higher Education Deferred Maintenance Tax Credit for contributions to a technical college for capital improvements, deferred maintenance, or the purchase of technology or equipment. The bill authorizes a 60.0 percent nonrefundable income tax credit for qualifying contributions beginning in tax year 2017 and tax credits could be carried forward for three years. The bill would limit the total amount of credits that can be claimed for contributions at each technical college to $208,233.33 in any tax year.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	($20,000) to ($230,000)	($20,000) to ($230,000)	($20,000) to ($230,000)	($20,000) to ($230,000)
Expenditure	$157,295	$157,295	$61,072	$61,072
FTE Pos.	--	--	1.00	1.00

The Department of Revenue estimates that HB 2163 would decrease State General Fund revenues by approximately $20,000 to $230,000 in both FY 2018 and FY 2019. To formulate these estimates, the Department of Revenue reviewed data on the Higher Education Deferred Maintenance Tax Credit that was last available for certain contributions to community colleges, technical colleges, or postsecondary educational institutions in tax year 2012. For the five tax years that this program was available, the Department indicates that taxpayers claimed as a few as $20,000 in tax credits in tax year 2011 and as much as $227,000 in tax credits in tax year 2010 specifically for qualified contributions to technical colleges. If taxpayers claim all tax credit available under this program, the maximum fiscal effect would be a decrease in State General Fund revenues of $1,041,166.65 in a tax year ($208,233.33 x five technical colleges); however, recent history indicates the actual amount of tax credits claimed would not likely reach the maximum amount.

The Department of Revenue indicates that the bill would require $157,295 from the State General Fund in FY 2018 to implement the bill and to modify the automated tax system. The bill would require 1.00 new FTE position to manage this tax credit program. The Department estimates that ongoing expenses for salary and wages for the 1.00 FTE position and overhead expenses would total $61,072 from the State General Fund in FY 2019. 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, additional expenditures for outside contract programmer services beyond the Department's current budget may be required.

The Board of Regents indicates the bill would provide an incentive for taxpayers to provide contributions to technical colleges that would be used for capital improvements, deferred maintenance, or the purchase of technology or equipment. The Board of Regents assumes that technical colleges would receive similar contributions in future years if the bill becomes law. Any fiscal effect associated with HB 2163 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,

Shawn Sullivan,
Director of the Budget

cc: Kelly Oliver, Board of Regents
Lynn Robinson, Department of Revenue