

February 23, 2017

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

Dear Representative Johnson:

**SUBJECT:** Fiscal Note for HB 2286 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2286 is respectfully submitted to your committee.

Under current law, the base corporate income tax rate is set at 3.0 percent and the surtax rate is set at 3.0 percent for corporate income above \$50,000. HB 2286 would increase the base corporate income tax rate to 4.0 percent beginning in tax year 2018.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	--	\$46,400,000	\$46,400,000
Expenditure	\$33,747	\$33,747	--	--
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2286 would increase State General Fund revenues by \$46.4 million in FY 2019, by \$47.3 million in FY 2020, and by \$48.1 million in FY 2021. To formulate these estimates, the Department of Revenue reviewed data from tax year 2015 to establish a baseline for the tax rate changes. The Department of Revenue indicates that State General Fund estimates for FY 2018 and FY 2019 are based on the November 2016 Consensus Revenue Estimate. State General Fund revenues in the out years assume the continuation annual growth rates of approximately 1.8 percent.

The Department indicates that the bill would require \$33,747 from the State General Fund in FY 2018 to implement the bill and to modify the automated tax system. The required

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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. Any fiscal effect associated with HB 2286 is not reflected in *The FY 2018 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: Lynn Robinson, Department of Revenue