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Shawn Sullivan, Director of the Budget

Sam Brownback, Governor

March 9, 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 2371 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2371 is respectfully submitted to your committee.

HB 2371 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 2018.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	--	($9,000,000)	($9,000,000)
Expenditure	$55,386	$55,386	--	--
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2371 would decrease State General Fund revenues by $9.0 million in FY 2019. The fiscal effect to state revenues during subsequent years would be as follows:

	FY 2020	FY 2021	FY 2022
State General Fund	($9,000,000)	($9,000,000)	($9,000,000)

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 2018, the Department of Revenue estimates that a total of $9.0 million in tax credits would be claimed in FY 2019.

The Department indicates that the bill would require $55,386 from the State General Fund in FY 2018 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, additional 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.

The Department of Administration indicates that adjusting state income tax collections has the potential to have a fiscal effect on the amount of revenue collected from its debt setoff program. This program intercepts individual income tax refunds and homestead tax refunds and applies those amounts to debts owed to state agencies, municipalities, district courts, and state agencies in other states. Debts include, but are not limited to child support, taxes, educational expenses, fines, services provided to the debtor, and court ordered restitution. As the dollar amounts of refunds are increased, the amount available for possible debt setoffs is also increased. However, the Department is unable to make an estimate of the amount of debt setoffs that will be intercepted as a result of the bill. Any fiscal effect associated with HB 2371 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,

Shawn Sullivan,
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Cody Gwaltney, Aging & Disability Services
Colleen Becker, Department of Administration