

STATE OF KANSAS



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GOVERNOR JEFF COLYER, M.D.
LARRY L. CAMPBELL, CHIEF BUDGET OFFICER

February 16, 2018

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

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2618 by Representative Hodge

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2618 is respectfully submitted to your committee.

Under current law, individual income tax rates are set at 3.1 percent for income under \$15,000 (\$30,000 for married filing jointly), 5.25 percent for income between \$15,000 and \$30,000 (between \$30,000 and \$60,000 for married filing jointly), and at 5.7 percent for income \$30,000 and over (\$60,000 and over for married filing jointly) in tax year 2018 and in future tax years. HB 2618 would create an additional income tax bracket for income over \$500,000 (\$1.0 million for married filing jointly) that would be set at 10.0 percent in tax year 2018 and in future tax years. The bill would prohibit any penalties or interest from the underpayment of individual income taxes from the tax rate changes in tax year 2018, as long as the taxes are paid by April 15, 2019.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	--	\$307,900,000	\$307,900,000
Expenditure	--	--	\$43,171	\$43,171
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2618 would increase State General Fund revenues by \$307.9 million in FY 2019. The fiscal effect to state revenues during subsequent years would be as follows:

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	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
State General Fund	\$241,200,000	\$245,300,000	\$249,400,000	\$254,700,000

The Department of Revenue indicates that State General Fund estimates for FY 2019 are based on the November 2017 Consensus Revenue Estimate. State General Fund revenues in the out years assume a 1.7 percent annual growth rate. The bill is retroactive and the fiscal effect is based on adjusting the income tax rates beginning on January 1, 2018. The estimate for FY 2019 includes 100.0 percent of tax year 2018 tax liability and 30.0 percent of tax year 2019 tax liability. The estimate for FY 2020 includes 70.0 percent of tax year 2019 tax liability and 30.0 percent of tax year 2020 tax liability.

The Department indicates that the bill would require \$43,171 from the State General Fund in FY 2019 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 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 decreased, the amount available for possible debt setoffs is also reduced. However, the Department is unable to make an estimate of the amount of debts setoffs that will no longer be intercepted as a result of the bill. Any fiscal effect associated with HB 2618 is not reflected in *The FY 2019 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Chief Budget Officer

cc: Lynn Robinson, Department of Revenue
Colleen Becker, Department of Administration