

March 26, 2019

REVISED

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

Dear Representative Johnson:

SUBJECT: Revised Fiscal Note for HB 2194 by Representatives Pittman and Kessinger

In accordance with KSA 75-3715a, the following revised fiscal note concerning HB 2194 is respectfully submitted to your committee.

Under current law, taxpayers are required to pay state income taxes on certain gambling winnings, but are not allowed to deduct any losses from gambling. HB 2194 would allow 100.0 percent of gambling losses claimed on federal income tax returns to be claimed as an itemized deduction on state income tax returns beginning in tax year 2019 and in each future tax year.

Estimated State Fiscal Effect				
	FY 2019 SGF	FY 2019 All Funds	FY 2020 SGF	FY 2020 All Funds
Revenue	--	--	(\$8,200,000)	(\$8,200,000)
Expenditure	--	--	\$189,096	\$189,096
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2194 would decrease State General Fund revenues by \$8.2 million in FY 2020 and in each future fiscal year. To formulate this estimate, the Department reviewed Internal Revenue Service data on gambling losses claimed on federal tax returns. The Department of Revenue estimates that Kansas taxpayers would claim approximately \$145.0 million in gambling losses in tax year 2019 under the provisions of the bill, which would reduce state income tax collections by approximately \$8.2 million in tax year 2019 or FY 2020.

The Department of Revenue indicates that it would require a total of \$189,096 from the State General Fund in FY 2020 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 and outside contract programmer services. In addition, 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. Since the original fiscal note was issued, the Department of Revenue lowered its estimate on administrative costs needed to implement the bill.

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 additional debts setoffs that will be intercepted as a result of the bill.

The Kansas Lottery and the Kansas Racing and Gaming Commission indicate that the bill would have no fiscal effect on each of their operations. The Kansas Lottery indicates that the bill has the potential to increase the amount wagered at state-owned gaming facilities instead of at gaming facilities from neighboring states that allow deductions for gambling losses. However, the Kansas Lottery does not have data to make a precise estimate of the additional amount that would be wagered at state-owned gaming facilities or the impact on the state's share of proceeds from these gaming facilities that would be transferred to the Expanded Lottery Act Revenues Fund and the Problem Gambling and Addictions Grant Fund as a result of the bill. Any fiscal effect associated with HB 2194 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Stephen Durrell, Lottery
Brandi White, Racing & Gaming Commission
Colleen Becker, Department of Administration