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Larry L. Campbell, Director

Laura Kelly, Governor

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 2302 by Representatives Whipple, Hodge, and Ohaebosim

In accordance with KSA 75-3715a, the following revised fiscal note concerning HB 2302 is respectfully submitted to your committee.

HB 2302 would create the Food Sales Tax Refund Act and repeal the food sales tax credit beginning in tax year 2019. The bill provides a set refund amount for sales tax paid on food for taxpayers who are Kansas residents the entire year and whose household income is $36,700 or less. In order to qualify for the food sales tax refund, taxpayers would be required to be 55 years of age or older; totally and permanently disabled or blind; or have at least one dependent under the age of 18 living with them the entire year. To calculate the amount of the food sales tax refund, taxpayers with qualifying income of $18,350 or less would multiply the number of exemptions by $94, and taxpayers with qualifying income of $18,351 to $36,700 would multiply the number of exemptions by $47.

Estimated State Fiscal Effect				
	FY 2019 SGF	FY 2019 All Funds	FY 2020 SGF	FY 2020 All Funds
Revenue	--	--	($54,000,000)	($54,000,000)
Expenditure	--	--	$459,080	$459,080
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2302 would decrease State General Fund revenues by $54.0 million in FY 2020 and in future fiscal years. To formulate these estimates, the Department of Revenue reviewed data on the Food Sales Tax Refund Program that was repealed after tax year 2012. The Department indicates that approximately $60.8 million in food sales tax refunds were claimed in tax year 2012 and similar results would be expected in tax year 2019 and in future tax years under the provisions of the bill. Taxpayers claimed approximately $6.8 million in food sales income tax credits in tax year 2017 and estimates that similar results will occur in future tax years. Therefore, the bill is estimated to reduce State General Fund revenues by $54.0 million in tax year 2019 or FY 2020 ($60.8 million in food sales tax refunds minus $6.8 million from the repeal of the food sales income tax credit).

The Department of Revenue indicates that it would require a total $459,080 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. Any fiscal effect associated with HB 2302 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

L. Campbell

Larry L. Campbell
Director of the Budget

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