

February 18, 2020

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

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2628 by Representative Toplikar

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2628 is respectfully submitted to your committee.

Under current law, a taxpayer is only allowed to use itemized deductions on a state income tax return if they also use itemized deductions on the federal income tax return. HB 2628 would allow the taxpayer to use itemized deductions on the state income tax return regardless if they use itemized deductions on federal income tax return beginning in tax year 2020. The bill would also remove outdated language on itemized deductions.

Estimated State Fiscal Effect				
	FY 2020 SGF	FY 2020 All Funds	FY 2021 SGF	FY 2021 All Funds
Revenue	--	--	(\$62,600,000)	(\$62,600,000)
Expenditure	--	--	\$240,846	\$240,846
FTE Pos.	--	--	--	3.00

The Department of Revenue estimates that HB 2628 would decrease State General Fund revenues by \$62.6 million in FY 2021, \$63.3 million in FY 2022, and \$63.9 million in FY 2023. To formulate these estimates, the Department of Revenue reviewed data on standard and itemized deductions from tax year 2018. Federal tax reform will entice more federal standard deduction users through the raising of the standard deduction and the limit on itemized deductions. The Department estimates that the number of tax returns would increase by 1.0 percent each year.

The Department of Revenue indicates that it would require a total \$240,846 from the State General Fund in FY 2021 to implement the bill and to modify the automated tax system. The bill would require the Department to hire at least 3.00 new Customer Service Representative FTE positions to review and process state returns that include itemized deductions. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue and outside contract programmer services. 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 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 2628 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,

A handwritten signature in cursive script, appearing to read "L. L. Campbell".

Larry L. Campbell
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Jeff Scannell, Department of Administration