

February 27, 2019

The Honorable Ty Masterson, Chairperson
Senate Committee on Utilities
Statehouse, Room 224-E
Topeka, Kansas 66612

Dear Senator Masterson:

SUBJECT: Fiscal Note for SB 126 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 126 is respectfully submitted to your committee.

SB 126 would amend existing law concerning certain public utilities and inclusion of income taxes in retail rates. If a public utility includes expenses related to income taxes as a component of its retail rates, the utility must track any overcollection of those taxes due to changes in state or federal law, file new retail rates reflecting the lower income tax rates and refund the over-collected amounts within 30 days of the change in tax law. The bill defines "overcollection of income tax expense." In addition, for tax years 2019, 2020, 2021 and 2022, every electric and natural gas public utility that is investor owned and subject to the jurisdiction of the Kansas Corporation Commission would be exempt from paying Kansas income tax and could not collect Kansas income tax expenses as a part of its retail rates.

According to the Kansas Corporation Commission, enactment of SB 126 would have no effect on agency expenditures or revenues. Enactment of the bill would exempt four electric and eight gas utilities that are subject to the KCC jurisdiction from paying state income tax. These utilities, although not currently exempt, do not pay state income tax because of business losses or other adjustments; thus, the Department of Revenue is unable to determine what the fiscal effect, if any, on the agency or state revenues might be. Any fiscal effect associated with SB 126 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Director of the Budget

cc: Jake Fisher, KCC
Lynn Robinson, Department of Revenue