

April 26, 2019

The Honorable Robert Olson, Chairperson
Senate Committee on Financial Institutions and Insurance
Statehouse, Room 236-E
Topeka, Kansas 66612

Dear Senator Olson:

SUBJECT: Fiscal Note for SB 239 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 239 is respectfully submitted to your committee.

SB 239 would require all state credit unions having assets equal to or exceeding \$100,000,000 to pay a privilege tax for all taxable years beginning after December 31, 2019. The tax would be based on the net income attributable to interest income received from all business loans for the next preceding taxable year. The tax would include a normal tax, which would be equal to 2.25 percent of net income, and a surtax, which would be equal to 2.125 percent of net income in excess of \$25,000. The tax would be levied in lieu of ad valorem taxes that might be imposed by state or local governments on intangible assets of state credit unions.

The Kansas Department of Revenue indicates enactment of the bill would increase revenue to the State General Fund in FY 2020 and beyond. However, the fiscal effect cannot be estimated because of insufficient data regarding credit unions in Kansas. The Department indicates that it would require a total of \$147,745 from the State General Fund in FY 2020 to implement the bill, including modifications to the automated tax system. The programming required would be performed by existing staff and outside contract programmer services. In addition, if the combined effect of implementing the 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 Kansas Department of Credit Unions indicates the bill would have no fiscal effect on agency operations. The Kansas Association of Counties indicates the bill could have a fiscal effect on counties; however, the Association is unable to estimate what the effect might be. Any fiscal effect associated with SB 239 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. L. Campbell". The signature is fluid and cursive, with a large initial "L" and a long, sweeping underline.

Larry L. Campbell
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Jerel Wright, Credit Unions
Jay Hall, Association of Counties
Chardae Caine, League of Municipalities