

March 18, 2020

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 499 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 499 is respectfully submitted to your committee.

SB 499 would create a new income tax credit for qualified railroad track maintenance expenditures of short line railroads for tax years 2020 through 2024. The bill would allow an income tax credit of 50.0 percent of an eligible taxpayer's expenditures for qualified railroad track maintenance during the tax year. The amount of the tax credit allowed for an eligible taxpayer cannot exceed the product of \$5,000 and the number of miles of railroad track owned or leased within Kansas by the eligible taxpayer. The total amount of tax credits would be capped at \$8,720,000 for each tax year. The tax credit is transferable and non-refundable and can be carried forward for up to five tax years. The Department of Revenue would have the authority to write rules and regulations to implement the bill. The Department of Transportation would have the option to write rules and regulations to permit the verification of the eligibility of the railroad track maintenance expenditures for the taxpayer to receive the new tax credit.

Estimated State Fiscal Effect				
	FY 2020 SGF	FY 2020 All Funds	FY 2021 SGF	FY 2021 All Funds
Revenue	--	--	(\$8,720,000)	(\$8,720,000)
Expenditure	--	--	\$125,097	\$125,097
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 499 would decrease State General Fund revenues by \$8,720,000 in FY 2021. The fiscal effect to state revenues during subsequent years would be as follows:

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	(\$8,720,000)	(\$8,720,000)	(\$8,720,000)	(\$8,720,000)

To formulate these estimates, the Department of Revenue reviewed data on short line (Class III) railroads in Kansas from the Department of Commerce. Data indicates that there are currently 1,806 short line railroad miles that are owned or leased in Kansas. If the income tax credit were claimed for all of these miles in a tax year, then eligible taxpayers would be able to claim tax credits that total \$9,030,000 (1,806 miles x \$5,000). However, since the new income tax credit is capped, only \$8,720,000 in tax credits would be able to be claimed in a tax year.

The Department indicates it would require \$125,097 from the State General Fund in FY 2021 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. 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.

The Department of Transportation indicates that the administrative costs associated with implementing the bill would be negligible and could be absorbed within existing resources. Any fiscal effect associated with SB 499 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Ben Cleaves, Transportation