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Adam Proffitt, Director

Laura Kelly, Governor

February 21, 2022

CORRECTED

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 548-S
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Corrected Fiscal Note for SB 519 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following corrected fiscal note concerning SB 519 is respectfully submitted to your committee.

SB 519 would increase the standard deduction for single individual taxpayers from $3,500 to $4,375, married filing status from $8,000 to $10,000, and head of household from $6,000 to $7,500 beginning in tax year 2023.

Estimated State Fiscal Effect				
	FY 2022 SGF	FY 2022 All Funds	FY 2023 SGF	FY 2023 All Funds
Revenue	--	--	($23,400,000)	($23,400,000)
Expenditure	--	--	$17,095	$17,095
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 519 would decrease State General Fund revenues by $23.4 million in FY 2023, $78.4 million in FY 2024, and $79.1 million in FY 2025. In the original fiscal note issued, the fiscal effect of the bill was attributed to the wrong fiscal years. The original fiscal note incorrectly listed these years as FY 2024, FY 2025, and FY 2026. To formulate these estimates, the Department of Revenue simulated this tax policy change based on actual tax return data from tax year 2020. The estimate for FY 2023 includes 30.0 percent of tax year 2023 tax liability. The estimate for FY 2024 includes 70.0 percent of tax year 2023 tax liability and 30.0 percent of tax year 2024 tax liability. The Department of Revenue indicates that State General Fund estimates for FY 2023 are based on the November 2021 Consensus Revenue Estimate. The Department estimates that the number of tax returns would increase by 1.0 percent each year.

The Department indicates that the bill would require $17,095 from the State General Fund in FY 2023 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 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 SB 519 is not reflected in *The FY 2023 Governor's Budget Report*.

Sincerely,

Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Celeste Chaney-Tucker, Department of Administration