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Steven J. Anderson, CPA, MBA, Director

Sam Brownback, Governor

February 6, 2012

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

Dear Senator Donovan:

SUBJECT: Fiscal Note for SB 267 by Legislative Educational Planning Committee

In accordance with KSA 75-3715a, the following fiscal note concerning SB 267 is respectfully submitted to your committee.

Under current law, the Deferred Maintenance Tax Credit for certain contributions to community colleges, technical colleges, or postsecondary educational institutions is set to sunset after tax year 2012. SB 267 would remove the sunset provision and make the tax credit permanent. The bill would increase the tax credit for contributions to a postsecondary educational institution from 50.0 percent to 60.0 percent of the contribution beginning in tax year 2012 and would maintain the 60.0 percent tax credit for contributions to community colleges and technical colleges. For tax years 2012, 2013, 2014, and 2015 the bill would cap the amount of tax credits for contributions to postsecondary educational institutions at $10.0 million and the amount of tax credits for contributions to a community college or technical college would be capped at $208,233.33 per school. There would be no cap for any of the tax credits after tax year 2015. The bill would also allow unused tax credits to be reallocated to another community college or technical college. The Board of Regents, Department of Revenue, and the community college or technical college would be responsible for reallocating any unused credits.

Estimated State Fiscal Effect				
	FY 2012 SGF	FY 2012 All Funds	FY 2013 SGF	FY 2013 All Funds
Revenue	--	--	($50,000)	($50,000)
Expenditure	--	--	$67,500	$67,500
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 267 would decrease State General Fund revenues by $50,000 in FY 2013. The decrease in revenues and how the November 4, 2011 consensus revenue estimate for FY 2013 would be affected are shown in the following table:

Effect on FY 2013 Consensus Revenue Estimates
(Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (Nov. 4, 2011)	Change in Revenue FY 2013	Proposed Adjusted CRE FY 2013
Motor Carrier	$ 21,000	$ --	$ 21,000
Income Taxes:			
Individual	3,065,000	(50)	3,064,950
Corporate	240,000	--	240,000
Financial Institutions	24,000	--	24,000
Excise Taxes:			
Retail Sales	2,200,000	--	2,200,000
Compensating Use	335,000	--	335,000
Cigarette	92,000	--	92,000
Corporate Franchise	6,000	--	6,000
Severance	102,800	--	102,800
All Other Excise Taxes	96,000	--	96,000
Other Taxes	141,000	--	141,000
Total Taxes	$6,322,800	($ 50)	$6,322,750
Other Revenues:			
Interest	$ 7,400	$ --	$ 7,400
Transfers	(90,300)	--	(90,300)
Agency Earnings	51,500	--	51,500
Total Other Revenues	($ 31,400)	$ --	($ 31,400)
Total Receipts	$6,291,400	($ 50)	$6,291,350

To formulate these estimates, the Department of Revenue reviewed data on the Deferred Maintenance Tax Credit. The Department indicates that approximately $400,000 in tax credits were claimed in FY 2010. Increasing the credit percentage from 50.0 percent to 60.0 percent in tax year 2012 is estimated to increase the amount of credits paid by about $50,000 in fiscal year 2013 assuming similar patterns. The bill would also allow the Deferred Maintenance Tax Credit to be claimed in future tax years, which would reduce State General Fund revenues as tax credits would continue to be claimed. If all of the tax credits were fully utilized, then State General Fund revenues would be reduced by $14,997,600 in tax years 2012, 2013, 2014, and 2015. However, the Department of Revenue indicates that the amount of credits that are claimed varies substantially from year to year. With the proposed changes that allow credits to be reallocated and increasing the tax credit for contributions to a postsecondary educational institution from 50.0 percent to 60.0 percent, the Department estimates that the bill has the potential to reduce State General Fund Revenues between $450,000 and $1.5 million in each future fiscal year depending on the amount of contributions that are received by each educational institution.

The Department of Revenue indicates the bill would require $67,500 from the State General Fund for administrative costs to implement the bill and to modify the automated tax system. The required programming for this bill by itself (1,196 hours in in-house programming and 1,080 hours of implementation) would be performed by existing staff of the Department of Revenue. 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, expenditures for outside contract programmer services beyond the Department's current budget may be required. Any fiscal effect associated with SB 267 is not reflected in *The FY 2013 Governor's Budget Report*.

Sincerely,

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Steve Neske, Revenue
Kelly Oliver, Board of Regents