

January 29, 2013

The Honorable Marvin Kleeb, Chairperson
House Committee on Commerce, Labor and Economic Development
Statehouse, Room 286-N
Topeka, Kansas 66612

Dear Representative Kleeb:

SUBJECT: Fiscal Note for HB 2084 by House Committee on Commerce, Labor and Economic Development

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2084 is respectfully submitted to your committee.

Under current law, individuals, corporations, financial institutions, and insurance companies are able to claim the Community Service Contribution tax credit for cash contributions to an approved community service organization. HB 2084 would exclude individual taxpayers from being able to claim this tax credit beginning in tax year 2013. The bill would also expand the definition of community services to include youth apprenticeship and technical training. The bill defines youth apprenticeship and technical training as activities designed to improve access to and quality of apprenticeship and technical training which support an emphasis on rural housing and any necessary equipment, facilities, and supportive mentorship.

Estimated State Fiscal Effect				
	FY 2013 SGF	FY 2013 All Funds	FY 2014 SGF	FY 2014 All Funds
Revenue	--	--	\$2,100,000	\$2,100,000
Expenditure	--	--	--	--
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2084 would increase State General Fund revenues by \$2.1 million in FY 2014. The increase in revenues and how the November 6, 2012 consensus revenue estimate for FY 2014 would be affected are shown in the following table:

Effect on FY 2014 Consensus Revenue Estimates
(Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (Nov. 6, 2012)	Change in Revenue FY 2014	Proposed Adjusted CRE FY 2014
Motor Carrier	\$ 39,000	\$ --	\$ 39,000
Income Taxes:			
Individual	2,385,000	2,100	2,387,100
Corporate	360,000	--	360,000
Financial Institutions	30,000	--	30,000
Excise Taxes:			
Retail Sales	1,952,000	--	1,952,000
Compensating Use	303,000	--	303,000
Cigarette	92,000	--	92,000
Corporate Franchise	6,000	--	6,000
Severance	137,400	--	137,400
All Other Excise Taxes	99,600	--	99,600
Other Taxes	<u>151,500</u>	<u>--</u>	<u>151,500</u>
Total Taxes	\$5,555,500	\$ 2,100	\$5,557,600
Other Revenues:			
Interest	\$ 9,700	\$ --	\$ 9,700
Transfers	(155,900)	--	(155,900)
Agency Earnings	<u>55,000</u>	<u>--</u>	<u>55,000</u>
Total Other Revenues	(\$ 91,200)	\$ --	(\$ 91,200)
Total Receipts	\$5,464,300	\$ 2,100	\$5,466,400

The fiscal effect to state revenues during subsequent years would be as follows:

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
State General Fund	\$2,100,000	\$2,100,000	\$2,100,000	\$2,100,000

To formulate these estimates, the Department of Revenue reviewed data on the Community Service Contribution tax credit. The Department of Revenue indicates that about 1,200 individuals claimed approximately \$2.2 million in Community Service Contribution tax credits in tax year 2009 and about 1,100 individuals claimed approximately \$2.1 million in tax credits in tax year 2010. Under current law, the Department assumes that about 1,100 individual taxpayers would continue to claim approximately \$2.1 million in tax credits in tax year 2013 and beyond; and eliminating the ability of individual taxpayers to claim this tax credit is estimated to save the State General Fund approximately \$2.1 million in FY 2014 and beyond.

The Honorable Marvin Kleebl, Chairperson

January 29, 2013

Page 3—HB 2084

The Department of Revenue does not have data on the number of community services organizations that would qualify under the expanded definition of community services proposed in the bill or the amount cash contributions that would be made to these organizations. Therefore, the Department is unable to provide a precise estimate of the fiscal effect of this provision. However, the Department estimates that this provision would have a negligible fiscal effect on State General Fund revenue.

The Department of Commerce indicates that it is currently responsible for managing the Community Service Contribution Tax Credit Program. The Department indicates that the administrative costs associated with reviewing additional applications to become an eligible community services origination would be negligible and could be absorbed within existing staff levels and resources. Any fiscal effect associated with HB 2084 is not reflected in *The FY 2014 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

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

cc: Dan Lara, Commerce
Steve Neske, Revenue
Zac Anshutz, Insurance