



March 18, 2014

The Honorable Richard Carlson, Chairperson
House Committee on Taxation
Statehouse, Room 185-N
Topeka, Kansas 66612

Dear Representative Carlson:

SUBJECT: Fiscal Note for HB 2575 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2575 is respectfully submitted to your committee.

HB 2575 would allow an income tax credit for expenses related to making a personal residence accessible to individuals with a disability. The maximum tax credit allowed would be \$9,000 and the amount of the tax credit would be based on the amount of qualifying expenditures and the amount of the taxpayer's Kansas adjusted gross income (KAGI). If the taxpayer's KAGI is less than \$25,000, then 100.0 percent of the qualifying expenditures would be allowed to be claimed as a tax credit. The percentage is reduced by 10.0 percent for each additional \$5,000 of KAGI, and no tax credit would be allowed if KAGI is over \$55,000. The credit is non-refundable unless the taxpayer's tax liability is less than \$2,250 in any year. If the taxpayer's tax liability is less than \$2,250 then an amount equal to 25.0 percent of the tax credit which exceeds the taxpayer's liability becomes refundable. Any amounts that are not refunded would be allowed to be carried forward to the next tax year. The bill would allow the tax credit to be claimed retroactive to tax year 2013. The bill would reauthorize the disabled access tax credit which was eliminated for individual taxpayers in the major income tax reduction bill of the 2012 Legislative Session (HB 2117).

Estimated State Fiscal Effect				
	FY 2014 SGF	FY 2014 All Funds	FY 2015 SGF	FY 2015 All Funds
Revenue	--	--	(\$32,000)	(\$32,000)
Expenditure	--	--	\$22,152	\$22,152
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2575 would decrease State General Fund revenues by \$32,000 in FY 2015. The decrease in revenues and how the November 6, 2013 consensus revenue estimate for FY 2015 would be affected are shown in the following table:

Effect on FY 2015 Consensus Revenue Estimates
(Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (Nov. 6, 2013)	Change in Revenue FY 2015	Proposed Adjusted CRE FY 2015
Motor Carrier	\$ 24,000	\$ --	\$ 24,000
Income Taxes:			
Individual	2,525,000	(32)	2,524,968
Corporate	380,000	--	380,000
Financial Institutions	34,500	--	34,500
Excise Taxes:			
Retail Sales	2,160,000	--	2,160,000
Compensating Use	355,000	--	355,000
Cigarette	89,000	--	89,000
Severance	135,000	--	135,000
All Other Excise Taxes	111,000	--	111,000
Other Taxes	<u>161,700</u>	<u>--</u>	<u>161,700</u>
Total Taxes	\$5,975,200	(\$ 32)	\$5,975,168
Other Revenues:			
Interest	\$ 10,000	\$ --	\$ 10,000
Transfers	(118,000)	--	(118,000)
Agency Earnings	<u>49,900</u>	<u>--</u>	<u>49,900</u>
Total Other Revenues	(\$ 58,100)	\$ --	(\$ 58,100)
Total Receipts	\$5,917,100	(\$ 32)	\$5,917,068

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

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
State General Fund	(\$16,000)	(\$16,000)	(\$16,000)	(\$16,000)

To formulate these estimates, the Department of Revenue reviewed data on the disabled access tax credit. The Department indicates that 7 individual Kansas taxpayers claimed approximately \$16,000 in disabled access tax credits in tax year 2011. The Department estimates that if the disabled access tax credit is restored, then income tax receipts to the State General Fund would be reduced by approximately \$16,000 each year. Because the bill is retroactive to tax year 2013, the Department assumes that 50.0 percent of qualifying individuals would amend

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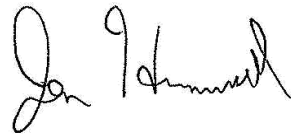
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tax year 2013 and tax year 2014 returns and apply for refunds in FY 2015. Therefore, the reduction of individual income tax receipts would be \$32,000 in FY 2015, with \$16,000 attributed to prior tax year refunds and \$16,000 attributed to new credits claimed in tax year 2014.

The Department of Revenue indicates that it would require \$22,152 from the State General Fund in FY 2015 for the costs associated with updating forms and instructions 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. 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.

The Kansas Department for Aging and Disability Services (KDADS) indicates the bill would have no fiscal effect on its operations. However, the bill has the potential to provide benefits to taxpayers who may also receive services from KDADS. Any fiscal effect associated with HB 2575 is not reflected in *The FY 2015 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Hummell". The signature is fluid and cursive, with the first name "Jon" being more prominent.

Jon Hummell,
Interim Director of the Budget

cc: Steve Neske, Revenue
Brad Ridley, KDADS