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Steven J. Anderson, CPA, MBA, Director

Sam Brownback, Governor

April 3, 2013

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 239 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 239 is respectfully submitted to your committee.

SB 232 would create a procedure to allow corporate income tax rates to decrease in future tax years. Beginning in FY 2014, if actual corporate income tax receipts to the State General Fund from the current fiscal year exceed actual corporate income tax receipts to the State General Fund from the preceding fiscal year by more than 2.0 percent, the Director of Legislative Research would be required to certify the excess amount to the Secretary of Revenue and Director of the Budget. The Secretary of Revenue would be required to use the excess percentage increase above 2.0 percent to calculate the amount of corporate income tax rate reductions that would go into effect for the next tax year. Rate reductions would first be applied to reduce the corporate surtax rate and if the Secretary of Revenue calculates a corporate surtax rate that is below 0.4 percent, then the rate would be zero. After the corporate surtax is eliminated then the rate reductions that are calculated would apply to the corporate normal tax rate. Rate reductions would be required to be published by September 15 of the calendar year prior to taking effect. Lower tax receipts would not trigger an automatic rate increase.

The Department of Revenue estimates that SB 239 would decrease State General Fund revenues by $3,820,000 in FY 2016, by $24,710,000 in FY 2017, and by $51,720,000 in FY 2018. To formulate these estimates, the Department of Revenue reviewed historic corporate income tax receipts and corporate revenue projections from the Congressional Budget Office (CBO). The Department indicates that the bill would require $45,600 from the State General Fund in FY 2014 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. 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 239 is not reflected in *The FY 2014 Governor's Budget Report*.

Sincerely,

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

cc: Steve Neske, Revenue
Pam Fink, Administration