

SESSION OF 2013

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2267

As Amended by House Committee of the Whole

Brief*

HB 2267, as amended, would expand the High Performance Incentive Program (HPIP) in several ways; and would provide an income tax subtraction modification associated with organ donation.

Certain animal production and aquaculture businesses classified under subsector 112 of the North American Industry Classification System (NAICS) would be brought under the program beginning in tax year 2013, making such entities eligible for income tax credits equivalent to 10 percent of the amount of qualifying investment, as well as the enterprise zone sales tax exemption that applies to materials, machinery, and equipment installed as part of certified projects.

An additional change to the HPIP program enacted in 2011 that increased from \$50,000 to \$1 million the minimum amount of qualifying investment necessary in certain urban counties would be repealed.

The bill would further authorize certain expenses associated with the donation of one or more human organs, as defined in the bill, to be claimed as a subtraction modification on a taxpayer's tax return beginning with tax year 2014. The subtraction modification for any individual or dependent would be limited to \$5,000. The provisions would take effect on the day the Secretary of Revenue certifies to the Director of the Budget that the cost to the Department of

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Revenue for modifications to the automated tax system to accomplish the intent of the bill would not exceed \$20,000.

Background

The original bill dealt with the expansion of the program by including those businesses in NAICS code 112. Proponents included Secretary of Agriculture Dale Rodman and a representative of the Kansas Livestock Association.

The House Taxation Committee amended the bill on March 18 to remove a provision that would have expanded the NAICS code qualification criteria retroactive to tax year 2012, and to add the provision reversing language enacted in 2011 that increased the minimum level of investment necessary in urban counties for HPIP qualification.

The House Committee of the Whole on March 26 added the organ donation provision.

The following table summarizes the latest fiscal information available from the Department of Revenue on the House Taxation Committee version of the bill:

(\$ in millions)

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>5-yr Total</u>
Sales Tax						
Exemption	\$ (3.560)	\$ (3.092)	\$ (3.208)	\$ (3.328)	\$ (3.453)	\$ (16.641)
NAICS Code 112	(0.500)	(0.520)	(0.541)	(0.562)	(0.585)	(2.708)
Urban County						
Threshold	(0.720)	(0.749)	(0.779)	(0.810)	(0.842)	(3.900)
Organ Donation	0.000	(0.012)	(0.012)	(0.012)	(0.012)	(0.048)
Total All Funds	\$ (4.780)	\$ (4.373)	\$ (4.540)	\$ (4.713)	\$ (4.892)	\$ (23.297)

Exhibit:

Disaggregation by Fund

State General Fund	\$ (4.124)	\$ (3.803)	\$ (3.949)	\$ (4.099)	\$ (4.256)	\$ (20.232)
State Highway Fund	(0.656)	(0.570)	(0.591)	(0.613)	(0.636)	(3.065)

*Numbers may not add due to rounding.