

May 6, 2015

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

Dear Representative Kleeb:

SUBJECT: Fiscal Note for HB 2429 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2429 is respectfully submitted to your committee.

HB 2429 would increase the state retail sales and compensating use tax rates from 6.15 percent to 6.5 percent effective on July 1, 2015. The bill would change the amount of state retail sales and compensating use tax to be deposited in the State General Fund from 82.927 percent to 83.846 percent and the State Highway Fund from 17.073 percent to 16.154 percent.

Estimated State Fiscal Effect				
	FY 2015 SGF	FY 2015 All Funds	FY 2016 SGF	FY 2016 All Funds
Revenue	--	--	\$164,191,000	\$164,191,000
Expenditure	--	--	\$10,000	\$10,000
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2429 would increase State General Fund revenues by \$164,191,000 in FY 2016. The increase in revenues and how the April 20, 2015 consensus revenue estimate for FY 2016 would be affected are shown in the following table:

Effect on FY 2016 Consensus Revenue Estimates
(Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (April 20, 2015)	Change in Revenue FY 2016	Proposed Adjusted CRE FY 2016
Motor Carrier	\$ 11,000	\$ --	\$ 11,000

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Income Taxes:			
Individual	2,300,000	--	2,300,000
Corporate	440,000	--	440,000
Financial Institutions	44,000	--	44,000
Excise Taxes:			
Retail Sales	2,240,000	140,915	2,380,915
Compensating Use	370,000	23,276	393,276
Cigarette	88,000	--	88,000
Severance	73,800	--	73,800
All Other Excise Taxes	113,700	--	113,700
Other Taxes	<u>190,500</u>	<u>--</u>	<u>190,500</u>
Total Taxes	\$5,871,000	\$ 164,191	\$6,035,191
Other Revenues:			
Interest	\$ 17,800	\$ --	\$ 17,500
Transfers	(232,680)	--	(232,680)
Agency Earnings	<u>57,100</u>	<u>--</u>	<u>57,100</u>
Total Other Revenues	(\$ 157,780)	\$ --	(\$ 157,780)
Total Receipts	\$5,713,220	\$ 164,191	\$5,877,411

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

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
State General Fund	\$185,834,000	\$192,803,000	\$200,033,000	\$207,534,000

To formulate these estimates, the Department of Revenue reviewed data on retail sales and compensating use taxes. The Department indicates that with previous changes to the state retail sales and compensating use tax rates and distribution formulas, there is a one month lag from the time that the rate and distribution changes becomes effective and when the revenues are collected. The Department indicates that FY 2016 would include one month of revenue at the current rate and distribution formula effective in FY 2015 and 11 months of revenue at the proposed new rate and distribution formula. The Department indicates the bill would only affect State General Fund revenues and would have no fiscal effect on revenues to the State Highway Fund or local governments.

The Department indicates that the bill would require \$10,000 from the State General Fund in FY 2016 to implement the bill and to modify the sales tax processing 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.

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The Kansas Department of Transportation (KDOT) indicates that the bill would have no fiscal effect on the operations of KDOT or the amount of revenues distributed to the State Highway Fund. Any fiscal effect associated with HB 2429 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Ben Cleeves, KDOT
Jack Smith, KDOR