

February 16, 2021

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 111 by Senator Pittman

In accordance with KSA 75-3715a, the following fiscal note concerning SB 111 is respectfully submitted to your committee.

Under current law, taxpayers are required to pay state income taxes on certain gambling winnings but are not allowed to deduct any losses from gambling. SB 111 would allow 100.0 percent of gambling losses claimed on federal income tax returns to be claimed as an itemized deduction on state income tax returns beginning in tax year 2021 and in each future tax year.

Estimated State Fiscal Effect				
	FY 2021 SGF	FY 2021 All Funds	FY 2022 SGF	FY 2022 All Funds
Revenue	--	--	(\$10,000,000)	(\$10,000,000)
Expenditure	--	--	\$61,350	\$61,350
FTE Pos.	--	--	--	--

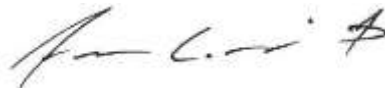
The Department of Revenue estimates that SB 111 would decrease State General Fund revenues by \$10.0 million in FY 2022 and in each future fiscal year. To formulate this estimate, the Department reviewed Internal Revenue Service data on gambling losses claimed on federal tax returns. The Department of Revenue estimates that Kansas taxpayers would claim approximately \$175.0 million in gambling losses in tax year 2021 under the provisions of the bill, which would reduce state income tax collections by approximately \$10.0 million in tax year 2021 or FY 2022.

The Department of Revenue indicates that it would require a total of \$61,350 from the State General Fund in FY 2022 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. In addition, 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, additional expenditures for outside contract programmer services beyond the Department's current budget may be required

The Department of Administration indicates that adjusting state income tax collections has the potential to have a fiscal effect on the amount of revenue collected from its debt setoff program. This program intercepts individual income tax refunds and homestead tax refunds and applies those amounts to debts owed to state agencies, municipalities, district courts, and state agencies in other states. Debts include, but are not limited to child support, taxes, educational expenses, fines, services provided to the debtor, and court ordered restitution. As the dollar amounts of refunds are increased, the amount available for possible debt setoffs is also increased. However, the Department is unable to make an estimate of the amount of additional debts setoffs that will be intercepted as a result of the bill.

The Kansas Lottery and the Kansas Racing and Gaming Commission indicate that the bill would have no fiscal effect on each of their operations. The Kansas Lottery indicates that the bill has the potential to increase the amount wagered at state-owned gaming facilities instead of at gaming facilities from neighboring states that allow deductions for gambling losses. However, the Kansas Lottery does not have data to make a precise estimate of the additional amount that would be wagered at state-owned gaming facilities or the impact on the state's share of proceeds from these gaming facilities that would be transferred to the Expanded Lottery Act Revenues Fund and the Problem Gambling and Addictions Grant Fund as a result of the bill. Any fiscal effect associated with SB 111 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,



Adam Proffitt
Director of the Budget

cc: Keith Kocher, Lottery
Lynn Robinson, Department of Revenue
Jeff Scannell, Department of Administration
Brandi White, Racing & Gaming Commission