

March 7, 2012

The Honorable Richard Carlson, Chairperson
 House Committee on Taxation
 Statehouse, Room 274-W
 Topeka, Kansas 66612

Dear Representative Carlson:

SUBJECT: Fiscal Note for HB 2628 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2628 is respectfully submitted to your committee.

HB 2628 would decrease the state retail sales and compensating use tax rates from 6.3 percent to 5.3 percent, effective July 1, 2012. The bill would set the amount of state retail sales and compensating use tax to be deposited in the State General Fund at 93/106 (87.736 percent) and the State Highway Fund at 13/106 (12.264 percent). Under current law, the state retail sales and compensating use tax rates and distributions are set to be adjusted as follows:

<u>Date of Rate Change</u>	<u>Tax Rate</u>	<u>Percent to State General Fund</u>	<u>Percent to State Highway Fund</u>
Current law	6.3	88.740	11.260
July 1, 2012	6.3	88.767	11.233
July 1, 2013	5.7	81.579	18.421

Estimated State Fiscal Effect				
	FY 2012 SGF	FY 2012 All Funds	FY 2013 SGF	FY 2013 All Funds
Revenue	--	--	(\$391,500,000)	(\$415,500,000)
Expenditure	\$15,250	\$15,250	--	--
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2628 would decrease state revenues by \$415.5 million in FY 2013. Of that total, the State General Fund is estimated to decrease by \$391.5 million in FY 2013, while the State Highway Fund is estimated to decrease by \$24.0 million in FY 2013. The decrease in revenues and how the November 4, 2011 consensus revenue estimate for FY 2013 would be affected are shown in the following table:

Effect on FY 2013 Consensus Revenue Estimates
 (Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (Nov. 4, 2011)	Change in Revenue FY 2013	Proposed Adjusted CRE FY 2013
Motor Carrier	\$ 21,000	\$ --	\$ 21,000
Income Taxes:			
Individual	3,065,000	--	3,065,000
Corporate	240,000	--	240,000
Financial Institutions	24,000	--	24,000
Excise Taxes:			
Retail Sales	2,200,000	(339,800)	1,860,200
Compensating Use	335,000	(51,700)	283,300
Cigarette	92,000	--	92,000
Corporate Franchise	6,000	--	6,000
Severance	102,800	--	102,800
All Other Excise Taxes	96,000	--	96,000
Other Taxes	<u>141,000</u>	<u>--</u>	<u>141,000</u>
Total Taxes	\$6,322,800	(\$ 391,500)	\$5,931,300
Other Revenues:			
Interest	\$ 7,400	\$ --	\$ 7,400
Transfers	(90,300)	--	(90,300)
Agency Earnings	<u>51,500</u>	<u>--</u>	<u>51,500</u>
Total Other Revenues	(\$ 31,400)	\$ --	(\$ 31,400)
Total Receipts	\$6,291,400	(\$ 391,500)	\$5,899,900

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

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
State Highway Fund	(\$188,100,000)	(\$195,200,000)	(\$202,500,000)	(\$210,100,000)

To formulate these estimates, the Department of Revenue reviewed data on historic state retail sales and compensating use tax collections. The loss of revenue is based on the current consensus revenue estimates and state retail sales and compensating use tax rates in current law. The Department of Revenue indicates that the bill would require a notice to certain retail sales and compensating use taxpayers, form changes, and testing computer system changes at a cost of \$15,250 from the State General Fund in FY 2012, prior to the rate change.

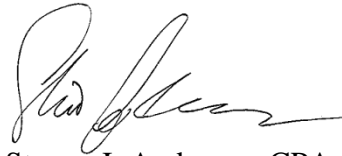
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The Kansas Department of Transportation indicates that the bill would reduce state revenues to the State Highway Fund as noted above. Any fiscal effect associated with HB 2628 is not reflected in *The FY 2013 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

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

cc: Steve Neske, Revenue
Ben Cleeves, KDOT