



February 13, 2013

The Honorable Richard Carlson, Chairperson
 House Committee on Taxation
 Statehouse, Room 285-N
 Topeka, Kansas 66612

Dear Representative Carlson:

SUBJECT: Fiscal Note for HB 2136 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2136 is respectfully submitted to your committee.

HB 2136 would reduce the percentage of state retail sales and compensating use taxes that are distributed to the State Highway Fund and increase by a corresponding amount the portion to the State General Fund for FY 2014 and each future fiscal year. The bill would set the amount of state retail sales and compensating use tax to be deposited in the State General Fund at 88.767 percent and the State Highway Fund at 11.233 percent beginning on July 1, 2013. The bill would not affect the tax rates for the state retail sales tax and compensating use tax that are set to be reduced from 6.3 percent to 5.7 percent on July 1, 2013. Under current law, the state retail sales tax 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 %	88.767 %	11.233 %
July 1, 2013	5.7	81.579	18.421

Estimated State Fiscal Effect				
	FY 2013 SGF	FY 2013 All Funds	FY 2014 SGF	FY 2014 All Funds
Revenue	--	--	\$179,070,000	--
Expenditure	--	--	--	--
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2136 would increase State General Fund revenues by \$179,070,000 in FY 2014 and would decrease State Highway Fund revenues by \$179,070,000 in FY 2014. The increase in State General Fund revenues and how the November

6, 2012 consensus revenue estimate for FY 2014 would be affected are shown in the following table:

Effect on FY 2014 Consensus Revenue Estimates
 (Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (Nov. 6, 2012)	Change in Revenue FY 2014	Proposed Adjusted CRE FY 2014
Motor Carrier	\$ 39,000	\$ --	\$ 39,000
Income Taxes:			
Individual	2,385,000	--	2,385,000
Corporate	360,000	--	360,000
Financial Institutions	30,000	--	30,000
Excise Taxes:			
Retail Sales	1,952,000	179,070	2,131,070
Compensating Use	303,000	--	303,000
Cigarette	92,000	--	92,000
Corporate Franchise	6,000	--	6,000
Severance	137,400	--	137,400
All Other Excise Taxes	99,600	--	99,600
Other Taxes	<u>151,500</u>	<u>--</u>	<u>151,500</u>
Total Taxes	\$5,555,500	\$ 179,070	\$5,734,570
Other Revenues:			
Interest	\$ 9,700	\$ --	\$ 9,700
Transfers	(155,900)	--	(155,900)
Agency Earnings	<u>55,000</u>	<u>--</u>	<u>55,000</u>
Total Other Revenues	(\$ 91,200)	\$ --	(\$ 91,200)
Total Receipts	\$5,464,300	\$ 179,070	\$5,643,370

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

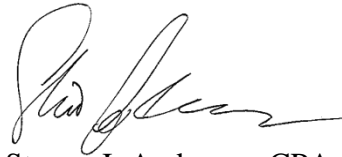
	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
State General Fund	\$202,680,000	\$210,280,000	\$218,160,000	\$226,340,000
State Highway Fund	<u>(\$202,680,000)</u>	<u>(\$210,280,000)</u>	<u>(\$218,160,000)</u>	<u>(\$226,340,000)</u>
	\$ --	\$ --	\$ --	\$ --

The Department of Revenue indicates that the bill would change the distribution formula for state retail sales tax and compensating use tax receipts and would not affect the amount of revenue collected from these sources in FY 2014 or any future fiscal year. The amount of revenue collected from the state retail sales tax and compensating use tax are based on the current consensus revenue estimates. The Department of Revenue indicates that the costs

associated with changing the distribution or retail sales tax and compensating use tax revenues would be negligible and could be absorbed within existing resources.

The Kansas Department of Transportation (KDOT) indicates that the bill would reduce state revenues to the State Highway Fund as noted above. KDOT indicates the reduction in revenues would require reductions and/or delays to planned expenditures for projects funded under the comprehensive transportation plan, known as T-WORKS. KDOT also indicates that the reduction in revenue may require it to increase the amount of bonds that it plans to issue under its current bonding authority in order to complete planned projects. Any fiscal effect associated with HB 2136 is not reflected in *The FY 2014 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", written in a cursive style.

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

cc: Steve Neske, Revenue
Ben Cleaves, KDOT