

March 13, 2017

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

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2373 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2373 is respectfully submitted to your committee.

HB 2373 would create the Food Sales Tax Refund Act and repeal the food sales tax credit beginning in tax year 2018. The bill provides a set refund amount for sales tax paid on food for taxpayers who are Kansas residents the entire year and whose household income is \$36,700 or less. In order to qualify for the food sales tax refund, taxpayers would be required to be 55 years of age or older; totally and permanently disabled or blind; or have at least one dependent under the age of 18 living with them the entire year. To calculate the amount of the food sales tax refund, taxpayers with qualifying income of \$18,350 or less would multiply the number of exemptions by \$94, and taxpayers with qualifying income of \$18,351 to \$36,700 would multiply the number of exemptions by \$47.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	--	(\$45,000,000)	(\$45,000,000)
Expenditure	\$47,603	\$47,603	--	--
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2373 would decrease State General Fund revenues by \$45.0 million in FY 2019 and in future fiscal years. To formulate these estimates, the Department of Revenue reviewed data on the Food Sales Tax Refund Program that was repealed after tax year 2012. The Department indicates that approximately \$60.0 million in food sales tax refunds were claimed in tax year 2012 and similar results would be expected in tax year 2018 and in future tax years under the provisions of the bill. Under current law, taxpayers are

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estimated to claim approximately \$15.0 million in food sales income tax credits in tax year 2018 and in future tax years. Therefore, the bill is estimated to reduce State General Fund revenues by \$45.0 million in tax year 2018 or FY 2019 (\$60.0 million in food sales tax refunds minus \$15.0 million from the repeal of the food sales income tax credit).

The Department of Revenue indicates the bill would require \$47,603 from the State General Fund in FY 2018 to implement the bill and to modify and test the automated tax 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, additional expenditures for outside contract programmer services beyond the Department's current budget may be required. Any fiscal effect associated with HB 2373 is not reflected in *The FY 2018 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: Lynn Robinson, Department of Revenue
Colleen Becker, Department of Administration