

March 6, 2017

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 214 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 214 is respectfully submitted to your committee.

SB 214 would allow taxpayers to claim 100.0 percent of the total amount of medical care expenses claimed on federal income tax returns as an itemized deduction on state income tax returns beginning in tax year 2017.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	(\$22,800,000)	(\$22,800,000)	(\$22,800,000)	(\$22,800,000)
Expenditure	\$56,789	\$56,789	--	--
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The Department of Revenue estimates that SB 214 would decrease State General Fund revenues by \$22.8 million in both FY 2018 and FY 2019. The fiscal effect to state revenues during subsequent years would be as follows:

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	(\$22,800,000)	(\$22,800,000)	(\$22,800,000)

To formulate these estimates, the Department of Revenue reviewed Internal Revenue Service (IRS) data from tax year 2014 to calculate an estimate for the deduction of medical care expenses specific to Kansas because the Department does not currently track this federal deduction. Department of Revenue indicates that State General Fund estimates for FY 2018 and FY 2019 are based on the November 2016 Consensus Revenue Estimate. The bill is retroactive and the fiscal effect is based on allowing itemized deduction on medical care expenses beginning on January 1, 2017.

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The Department indicates that the bill would require \$56,789 from the State General Fund in FY 2018 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. 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 SB 214 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