

STATE OF KANSAS



DIVISION OF THE BUDGET
LONDON STATE OFFICE BUILDING
900 SW JACKSON STREET, ROOM 504
TOPEKA, KS 66612

PHONE: (785) 296-2436
FAX: (785) 296-0231
larry.campbell@ks.gov

GOVERNOR JEFF COLYER, M.D.
LARRY L. CAMPBELL, CHIEF BUDGET OFFICER

February 21, 2018

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

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2614 by Representative Hodge

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2614 is respectfully submitted to your committee.

HB 2614 would provide a new refundable income tax credit of \$200 for each qualifying child of the taxpayer beginning in tax year 2018. The bill includes the definition for a qualifying child. The bill requires any taxpayer claiming the credit to provide a valid Social Security number.

| Estimated State Fiscal Effect | | | | |
|-------------------------------|----------------|----------------------|----------------|----------------------|
| | FY 2018 SGF | FY 2018 All Funds | FY 2019 SGF | FY 2019 All Funds |
| Revenue | -- | -- | (\$81,200,000) | (\$81,200,000) |
| Expenditure | -- | -- | \$33,997 | \$33,997 |
| FTE Pos. | -- | -- | -- | -- |

The Department of Revenue estimates that HB 2614 would decrease State General Fund revenues by \$81.2 million in 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> | <u>FY 2023</u> |
| State General Fund | (\$82,600,000) | (\$84,000,000) | (\$85,400,000) | (\$86,900,000) |

The Department of Revenue indicates that State General Fund estimates for FY 2019 are based on the November 2017 Consensus Revenue Estimate. State General Fund revenues in the out years assume the continuation of annual growth rates of approximately 1.7 percent.

The Department indicates that the bill would require \$33,997 from the State General Fund in FY 2019 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.

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 debt setoffs that will be intercepted as a result of the bill. Any fiscal effect associated with HB 2614 is not reflected in *The FY 2019 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Chief Budget Officer

cc: Colleen Becker, Department of Administration
Lynn Robinson, Department of Revenue