

March 14, 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 211 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 211 is respectfully submitted to your committee.

SB 211 would create a new non-refundable income tax credit equal to 15.0 percent of the amount of expenditures of goods and services purchased from a qualified vendor beginning in tax year 2017. The bill defines “qualified vendor” as a nonprofit that provides employment to individuals who are blind or severely disabled. The bill would also allow a taxpayer to claim the 15.0 percent tax credit of up to \$500,000 per tax year for purchases that were made from a qualified vendor in 2016. The \$500,000 limit would not apply to goods and services purchased after January 1, 2017. Any unused tax credits would be allowed to be carried forward for up to four tax years. The Secretary of Commerce would be responsible to certify qualified vendors and to certify the amount of goods and services purchased by a taxpayer from qualified vendors on an annual basis. The Department of Commerce would have the authority to write rules and regulations to implement the bill.

The Department of Revenue does not have data on how many taxpayers would purchase goods and services from a qualified vendor to provide an accurate estimate of the fiscal effect of SB 211. The Department indicates that the State of Kansas spent approximately \$6.0 million in expenditures on goods and services from qualified vendors under the State Use Program. The State Use Program requires state agencies and school districts to purchase goods and services from the State Use Catalog, which includes products and services manufactured and offered by blind and severely disabled Kansans. The Department indicates that if taxpayers make \$6.0 million in expenditures from qualified vendors, then \$900,000 in tax credits would be earned, which has the potential to reduce State General Fund revenues by that same amount each year beginning in FY 2018.

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The Department of Revenue indicates that the bill would require \$91,164 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.

The Department of Commerce indicates that the bill would require \$16,875 from the State General Fund in both FY 2018 and FY 2019 for administrative costs to implement this new program. These estimates include the salaries and wages and operating costs for 0.25 a new FTE positions. This new program would require the Department to verify the amount of goods and services purchased by a taxpayer from qualified vendors on an annual basis and to certify qualified vendors. Currently the Office of Procurement and Contracts in the Department of Administration determines the qualified vendors. SB 211 could have a fiscal effect for the Department of Administration, if the Office of Procurement and Contracts is asked to assist the Department of Commerce by providing data regarding qualified vendors. Any fiscal effect associated with SB 211 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  
Bob North, Commerce