

March 11, 2019

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 174 by Senate Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning SB 174 is respectfully submitted to your committee.

Under current law, taxpayers filing as single, head of household, married filing separate, or married filing jointly are allowed to subtract the amount of Social Security benefits from federal adjusted gross income for Kansas income tax purposes if the taxpayer has income of \$75,000 or less. SB 174 would remove the income limitation on this exemption and allow taxpayers to exempt all Social Security benefits from federal adjusted gross income for Kansas income tax purposes beginning in tax year 2019.

Estimated State Fiscal Effect				
	FY 2019 SGF	FY 2019 All Funds	FY 2020 SGF	FY 2020 All Funds
Revenue	--	--	(\$93,200,000)	(\$93,200,000)
Expenditure	--	--	\$75,121	\$75,121
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 174 would decrease State General Fund revenues by \$93.2 million in FY 2020, \$95.5 million in FY 2021, and \$97.8 million in FY 2022. To formulate these estimates, the Department reviewed data on Social Security benefits from tax year 2017. The Department adjusted the amount of Social Security benefits to account for cost of living adjustments that have occurred since tax year 2017 and used an average growth rate of 2.4 percent for future years. The Department created a simulated tax table for all taxpayers that receive Social Security benefits that shows that State General Fund revenues would decrease by \$93.2 million in FY 2020 as a result of this bill.

The Department of Revenue indicates that it would require a total of \$75,121 from the State General Fund in FY 2020 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 and outside contract programmer services. In addition, 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 174 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink that reads "L. L. Campbell". The signature is written in a cursive style with a large, sweeping initial "L".

Larry L. Campbell
Director of the Budget

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