

March 27, 2019

REVISED

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Revised Fiscal Note for SB 184 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following revised fiscal note concerning SB 184 is respectfully submitted to your committee.

SB 184 would create the Food Sales Tax Refund Act and repeal the food sales tax credit beginning in tax year 2019. 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 \$35,000 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 \$17,500 or less would multiply the number of exemptions by \$90, and taxpayers with qualifying income of \$17,501 to \$35,000 would multiply the number of exemptions by \$45.

| Estimated State Fiscal Effect | | | | |
|-------------------------------|----------------|----------------------|----------------|----------------------|
| | FY 2019 SGF | FY 2019 All Funds | FY 2020 SGF | FY 2020 All Funds |
| Revenue | -- | -- | (\$52,400,000) | (\$52,400,000) |
| Expenditure | -- | -- | \$459,080 | \$459,080 |
| FTE Pos. | -- | -- | -- | -- |

The Department of Revenue estimates that SB 184 would decrease State General Fund revenues by \$52.4 million in FY 2020 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 To formulate these estimates, the Department of Revenue reviewed data on the Food Sales Tax Refund Program that was repealed after tax year 2012.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 \$59.2 million in food sales tax

refunds were claimed in tax year 2010 with the same income ranges and refund amounts that are included in SB 184. The Department estimates that similar results would be expected in tax year 2019 and in future tax years under the provisions of the bill. Taxpayers claimed approximately \$6.8 million in food sales income tax credits in tax year 2017 and estimates that similar results will occur in future tax years. Therefore, the bill is estimated to reduce State General Fund revenues by \$52.4 million in tax year 2019 or FY 2020 (\$59.2 million in food sales tax refunds minus \$6.8 million from the repeal of the food sales income tax credit).

The Department of Revenue indicates that it would require a total \$459,080 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. Since the original fiscal note was issued, the Department of Revenue lowered its estimate on administrative costs needed to implement the bill.

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 additional debts setoffs that will be intercepted as a result of the bill. Any fiscal effect associated with SB 184 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Director of the Budget

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