

July 24, 2015

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

Dear Representative KleeB:

SUBJECT: Fiscal Note for HB 2419 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2419 is respectfully submitted to your committee.

HB 2419 would create a 3.0 percent intangibles tax on the gross earnings from monies, notes, and other evidences of indebtedness beginning in tax year 2017. The tax would be collected by county treasurers and would be due on April 15 of each year. The tax would be distributed 82.0 percent to the county general fund and 18.0 percent to the State General Fund. Mortgages, pensions, retirement accounts, tax exempt accounts, profit sharing and stock bonus plans, and earnings and profits from a small business corporation would be exempt from the intangible tax. Taxpayers with a disability or 60 years of age or older would be exempt from the intangibles tax on the first \$3,000 of gross earnings. The bill allows the Department of Revenue to charge a 50.0 percent penalty if no intangible return is filed.

The Department of Revenue does not have enough data to estimate the amount of revenue generated from the new intangible tax from the enactment of HB 2419. The Department indicates that the bill would require \$1,776,200 from the State General Fund in FY 2016 to implement the bill and to create a new intangible tax collection system. The bill would require 10.00 new FTE Customer Service Representative positions in FY 2016 to administer the new intangible tax. 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, expenditures for outside contract programmer services beyond the Department's current budget may be required. Any fiscal effect associated with HB 2419 is not reflected in *The FY 2016 Governor's Budget Report*.

The Kansas Association of Counties indicates that the bill would require counties to charge a 3.0 percent intangible tax which would provide another source of funding to finance county governments. Current law allows local governments to charge an intangibles tax, but

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they are not required to do so. In FY 2014, local governments collected approximately \$2.1 million from intangibles taxes. However, the Association does not have enough data to make a precise estimate of the amount of new revenues from the intangibles tax or the staff time and county resources that would be used to collect this tax.

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: Jack Smith, KDOR
Melissa Wangemann, KAC
Judi Stork, Banking Commission