

SESSION OF 2015

**SUPPLEMENTAL NOTE ON HOUSE SUBSTITUTE FOR
SENATE BILL NO. 270**

As Amended by House on Final Action

Brief*

House Sub. for SB 270, as further amended, would enact a tax amnesty for a number of tax sources, expand local sales tax authority in selected counties, extend the rural opportunity zone (ROZ) program, restore an income tax credit for contributions to individual development accounts, and clarify the property tax levying authority for fire districts.

Amnesty Provisions

The bill would authorize a tax amnesty for penalties and interest relative to certain delinquent taxes provided such taxes are paid in full from September 1, 2015, to October 15, 2015. The amnesty would apply to privilege, income, estate, cigarette, tobacco products, liquor enforcement, liquor drink, severance, state sales, state use, local sales, and local use taxes. The amnesty would be limited to penalties and interest applied to liabilities associated with tax periods ending on or before December 31, 2013.

The amnesty would not apply to any matter for which, on or after September 1, 2015, taxpayers have received notices of assessment or for which an audit had previously been initiated. Any fraud or intentional misrepresentation in connection with an amnesty application would void the application and waiver of any penalties and interest.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Individual Development Account Tax Credit

The bill would restore, effective for tax year 2015, a tax credit that previously had been available for certain individual development account (IDA) contributions. That credit had been discontinued beginning in tax year 2013, pursuant to repeal in 2012 legislation.

ROZ Program

The ROZ program, which provides an income tax exemption for certain individuals who establish residency in selected counties, would be extended. The program, which is currently scheduled to sunset in tax year 2017, would be made permanent. (The ROZ program also authorizes the repayment of student loans by participating counties and the state under specific circumstances.)

Local Sales Tax Provisions

Additional provisions would authorize additional local sales tax authority for three counties—Thomas, Douglas, and Bourbon—for purposes of financing construction or remodeling of a courthouse, jail, law enforcement facility, or other county administrative facility. Thomas County would be granted an additional 0.5 percent authority, Douglas County would be granted an additional 0.5 percent authority, and Bourbon County would be granted additional authority of up to 1.0 percent.

Relative to this new authority, all counties also would have an exception to the normal countywide sales tax distribution formula, which otherwise requires that funds be shared with cities.

Voter approval would be required prior to the implementation of the new tax authority for Thomas County and Douglas County. For Bourbon County, the result of a

previously held election is declared valid for the implementation of the new tax authority.

Fire Districts

A final section of the bill would clarify the property tax levying authority of consolidated fire districts with respect to their authority to levy more than 15 mills.

Background

The original bill would have made several changes to the Tax Credit for Low Income Students Scholarship Program Act. The House Taxation Committee, on May 13, struck the bill's original provisions; recommended a substitute bill be created; inserted various new provisions, including the tax amnesty provisions; and advanced the new substitute bill for further consideration without recommendation. The House Committee of the Whole, on May 15, adopted a minor technical amendment. On May 29, the House amended the bill on final action to remove the contents of the substitute bill, other than the amnesty provisions, and add the other provisions described above.

The Kansas Department of Revenue indicated the total amount of additional tax receipts collected as a result of the amnesty would be \$36.088 million, \$30 million of which would be deposited in the State General Fund (SGF), \$2.471 million of which would be deposited in the State Highway Fund (SHF), and \$3.618 million of which would be returned to local units levying sales and use taxes. The latest estimated disaggregation of the amnesty receipts by tax source is as follows:

(\$ in millions)

	SGF	SHF	Local	Total
Sales	\$ 10.000	\$ 2.059	\$ 3.015	\$ 15.073
Use	2.000	0.412	0.603	3.015
Individual Income	12.000	0.000	0.000	12.000
Corporate Income	5.000	0.000	0.000	5.000
Cigarette	0.500	0.000	0.000	.500
Liquor Enforcement	0.500	0.000	0.000	.500
TOTAL	\$ 30.000	\$ 2.471	\$ 3.618	\$ 36.088

Relative to the combined provisions of the bill for the SGF, the following table provides a disaggregation through FY 2018:

(\$ in millions)

	FY 2016	FY 2017	FY 2018	3-Yr. Total
Amnesty	\$ 30.000	\$ 0.000	\$ 0.000	\$ 30.000
ROZ Program Change	0.000	0.000	(0.560)	(0.560)
Restored IDA Tax Credit	(0.300)	(0.300)	(0.300)	(0.900)
TOTAL	\$ 29.700	\$ (0.300)	\$ (0.860)	\$ 28.540