

February 20, 2017

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

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2341 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2341 is respectfully submitted to your committee.

HB 2341 would add Cowley County to the list of 77 counties that are currently designated as Rural Opportunity Zones. The Rural Opportunity Zones Program helps attract financial investment, business development, and job growth in rural areas of the state. The program offers individuals who relocate from outside the state to a county that has been designated as a Rural Opportunity Zone the opportunity to participate in the Student Loan Forgiveness Program and receive a 100.0 percent state income tax credit through tax year 2021.

| Estimated State Fiscal Effect | | | | |
|-------------------------------|----------------|----------------------|----------------|----------------------|
| | FY 2018 SGF | FY 2018 All Funds | FY 2019 SGF | FY 2019 All Funds |
| Revenue | (\$68,000) | (\$68,000) | (\$136,000) | (\$136,000) |
| Expenditure | \$15,240 | \$15,240 | \$15,000 | \$15,000 |
| FTE Pos. | -- | -- | -- | -- |

The Department of Revenue estimates that HB 2367 would decrease State General Fund revenues by \$68,000 in FY 2018 and by \$136,000 in FY 2019. To formulate these estimates, the Department of Revenue reviewed data from the Internal Revenue Service and the United States Census Bureau. The Department indicates that approximately 500 individual taxpayers from out-of-state moved to Cowley County in tax year 2015. Those taxpayers reported federal adjusted gross income of approximately \$17.0 million. Assuming an average tax rate of 4.0 percent and also assuming only 10.0 percent of these individuals would meet the requirement of residing in Kansas the entire year in order to qualify for the tax credit, the estimated fiscal effect in FY 2018 would be approximately \$68,000 (\$17.0 million x 4.0% x 10.0%), and \$136,000 in FY 2019, assuming future migration patterns mirror recent experience.

The Department indicates that the bill would require \$240 from the State General Fund in FY 2018 to implement the bill and to modify the K89 Rural Opportunity Zone Tax Schedule. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue.

The Department of Commerce indicates that it is currently responsible for administering the Rural Opportunity Zones Program. No information exists to accurately estimate the number of individuals who would qualify for the Student Loan Forgiveness Program. Assuming that ten individuals would qualify for the Student Loan Forgiveness Program; the Department of Commerce would require approximately \$15,000 from the State General Fund in both FY 2018 and FY 2019 for the state obligations of this program for the first year. However, the amount may be significantly higher or significantly lower depending on the level of participation by Cowley County that would be responsible for the local match for this program. The Department indicates that the administrative costs associated with reviewing additional applications from individuals that are proposing to move to the new Rural Opportunity Zone proposed in the bill would be negligible and could be absorbed within existing staff levels and resources. Any fiscal effect associated with HB 2341 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: Jack Smith, Department of Revenue
Bob North, Commerce
Melissa Wangemann, Association of Counties