

STATE OF KANSAS

DIVISION OF THE BUDGET
 LONDON STATE OFFICE BUILDING
 900 SW JACKSON STREET, ROOM 504
 TOPEKA, KS 66612



PHONE: (785) 296-2436
 FAX: (785) 296-0231
 larry.campbell@ks.gov
 http://budget.kansas.gov

GOVERNOR JEFF COLYER, M.D.
 LARRY L. CAMPBELL, CHIEF BUDGET OFFICER

March 14, 2018

CORRECTED

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

Dear Representative Johnson:

SUBJECT: Corrected Fiscal Note for HB 2569 by House Committee on Taxation

In accordance with KSA 75-3715a, the following corrected fiscal note concerning HB 2569 is respectfully submitted to your committee.

HB 2569 would increase the standard deduction for single individual taxpayers from \$3,000 to \$6,000, married filing status from \$7,500 to \$15,000, and head of household from \$5,500 to \$11,000. The bill would apply to tax year 2018 and each future tax year. The bill also removes outdated standard deduction language from previous tax years.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	--	(\$271,100,000)	(\$271,100,000)
Expenditure	--	--	\$14,760	\$14,760
FTE Pos.	--	--	--	--

In the original fiscal note issued, the Department of Revenue provided an incorrect calculation of the fiscal effect for FY 2019. The Department of Revenue estimates that HB 2569 would decrease State General Fund revenues by \$271.1 million in FY 2019. The fiscal effect to state revenues during subsequent years would be as follows:

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
State General Fund	(\$212,300,000)	(\$216,000,000)	(\$219,600,000)	(\$223,400,000)

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March 14, 2018

Page 2—HB 2569

The bill is retroactive and the fiscal effect is based on increasing the standard deduction beginning on January 1, 2018. The estimate for FY 2019 includes 100.0 percent of tax year 2018 tax liability and 30.0 percent of tax year 2019 tax liability. The estimate for FY 2020 includes 70.0 percent of tax year 2019 tax liability and 30.0 percent of tax year 2020 tax liability. The Department of Revenue indicates that State General Fund estimates for FY 2019 are based on the November 2017 Consensus Revenue Estimate. State General Fund revenues in the out years assume the continuation of annual growth rates of approximately 1.7 percent.

The Department indicates that the bill would require \$14,760 from the State General Fund in FY 2019 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. 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, additional expenditures for outside contract programmer services beyond the Department's current budget may be required.

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 debt setoffs that will be intercepted as a result of the bill. Any fiscal effect associated with HB 2569 is not reflected in *The FY 2019 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Chief Budget Officer

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