

February 26, 2020

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 196 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following revised fiscal note concerning SB 196 is respectfully submitted to your committee.

Under current law, Kansas corporations, banks, trust companies, and savings and loans are allowed to claim the Kansas expensing deduction for investments in qualifying machinery and equipment that are placed into service in Kansas for tax year 2014 and each future tax year. SB 196 would also allow individual income taxpayers to claim the expensing deduction beginning in tax year 2019. All taxpayers claiming the Kansas expensing deduction would be required to offset the costs of the expensing deductions claimed on the federal return with Section 179 of the Internal Revenue Code.

Estimated State Fiscal Effect				
	FY 2020 SGF	FY 2020 All Funds	FY 2021 SGF	FY 2021 All Funds
Revenue	--	--	\$4,300,000	\$4,300,000
Expenditure	--	--	\$170,272	\$170,272
FTE Pos.	--	--	--	2.00

The Department of Revenue estimates that allowing expensing for individual income taxpayers and requiring the Section 179 of the Internal Revenue Code offset would increase State General Fund revenues by \$4.3 million in FY 2021, \$2.3 million in FY 2022, and \$2.4 million in FY 2023. To formulate these estimates, the Department of Revenue reviewed data from tax year 2012, which was the last tax year that individual income taxpayers were allowed to claim the expensing deduction.

The Department of Revenue indicates that it would require a total of \$170,272 from the State General Fund in FY 2021 to implement the bill and to modify the automated tax system. The bill would require the Department to hire at least 2.00 new Customer Service Representative FTE positions to review and process state returns that include the expensing deduction. 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 updated its calculation of the fiscal effect and revised its estimate on administrative costs needed to implement the bill. Any fiscal effect associated with SB 196 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. L. Campbell". The signature is fluid and cursive, with a large initial "L" and "C".

Larry L. Campbell
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Jeff Scannell, Department of Administration