



February 4, 2013

The Honorable Richard Carlson, Chairperson  
 House Committee on Taxation  
 Statehouse, Room 285-N  
 Topeka, Kansas 66612

Dear Representative Carlson:

**SUBJECT:** Fiscal Note for HB 2061 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2061 is respectfully submitted to your committee.

HB 2061 would allow S corporations bank holding company shareholders to deduct their share of the holding company's tax loss on their Kansas individual income tax return.

Estimated State Fiscal Effect				
	FY 2013 SGF	FY 2013 All Funds	FY 2014 SGF	FY 2014 All Funds
Revenue	--	--	(\$2,500,000)	(\$2,500,000)
Expenditure	--	--	--	--
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2061 would decrease State General Fund revenues by \$2.5 million in FY 2014. The decrease in revenues and how the November 6, 2012 consensus revenue estimate for FY 2014 would be affected are shown in the following table:

Effect on FY 2014 Consensus Revenue Estimates  
 (Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (Nov. 6, 2012)	Change in Revenue FY 2014	Proposed Adjusted CRE FY 2014
Motor Carrier	\$ 39,000	\$ --	\$ 39,000
Income Taxes:			
Individual	2,385,000	(2,500)	2,382,500

The Honorable Lance Kinzer, Chairperson

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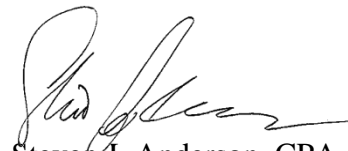
Corporate	360,000	--	360,000
Financial Institutions	30,000	--	30,000
Excise Taxes:			
Retail Sales	1,952,000	--	1,952,000
Compensating Use	303,000	--	303,000
Cigarette	92,000	--	92,000
Corporate Franchise	6,000	--	6,000
Severance	137,400	--	137,400
All Other Excise Taxes	99,600	--	99,600
Other Taxes	<u>151,500</u>	<u>--</u>	<u>151,500</u>
Total Taxes	\$5,555,500	(\$ 2,500)	\$5,553,000
Other Revenues:			
Interest	\$ 9,700	\$ --	\$ 9,700
Transfers	(155,900)	--	(155,900)
Agency Earnings	<u>55,000</u>	<u>--</u>	<u>55,000</u>
Total Other Revenues	(\$ 91,200)	\$ --	(\$ 91,200)
Total Receipts	\$5,464,300	(\$ 2,500)	\$5,461,800

The fiscal effect to state revenues during subsequent years would be as follows:

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
State General Fund	(\$2,500,000)	(\$2,500,000)	(\$2,500,000)	(\$2,500,000)

To formulate these estimates, the Department of Revenue reviewed data on Kansas banks organized as S corporations. The Department indicates that the most current data show about \$50.0 million in losses claimed by banks organized as S corporations. With the top marginal income tax rate set at 4.9 percent, the estimated fiscal effect would be a reduction in tax liability of about \$2.5 million. The Department of Revenue indicates that the costs associated with implementing the bill would be negligible and could be absorbed within its existing resources. Any fiscal effect associated with HB 2061 is not reflected in *The FY 2014 Governor's Budget Report*.

Sincerely,



Steven J. Anderson, CPA, MBA  
Director of the Budget

cc: Zac Anshutz, Insurance  
Steve Neske, Revenue