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Steven J. Anderson, CPA, MBA, Director

Division of the Budget

Sam Brownback, Governor

March 1, 2012

The Honorable Mike Burgess, Chairperson
House Committee on Government Efficiency
Statehouse, Room 151-S
Topeka, Kansas 66612

Dear Representative Burgess:

SUBJECT: Fiscal Note for HB 2726 by House Committee on Government Efficiency

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2726 is respectfully submitted to your committee.

HB 2726 would prohibit a state agency from imposing an additional fee to recover the actual cost incurred for any method of payment used by the payee. The Director of Taxation and county treasurers would be prohibited from setting a fee to be added to each credit card transaction equal to the charge paid by the state, county treasurer, or the taxpayer for the use of the credit card. Further, the bill would require that any transactions involving payment by credit card could not include a surcharge on a card holder who chooses to use a credit card instead of payment by check, cash, or similar means.

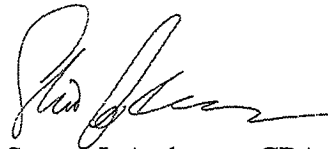
The Board of Regents states the bill would affect state universities. For example, the Board indicates at Emporia State University (ESU), approximately \$7.2 million of their tuition is paid via credit cards each year. ESU charges a 2.75 percent convenience fee to the individual to cover the cost of accepting the credit card, and this fee goes directly to the outside credit card processor. ESU estimates that if the bill were to pass, it would continue to be required to accept credit card payments at an estimated cost to the University of \$200,000 per year. Because ESU would be prohibited from recovering the cost from an individual who paid by credit card, the revenue to cover the charges would have to come from some other source such as the State General Fund or increased charges for tuition. The Board indicates this would be a significant expense to cover because \$200,000 equates to a 1.0 percent tuition increase at ESU. According to the Board, similar fees for credit cards are also charged at most other state universities.

The Department of Revenue states HB 2726 could eliminate the option of paying taxes by credit or debit card. According to the Department, the state cannot reduce or increase a taxpayer's tax liability due for the cost incurred for the use of a credit or debit card. In calendar year 2011, the Department of Revenue collected nearly \$8.8 million in taxes due from 30,000 credit card transactions. Assuming a 2.0 percent fee, the Department estimates that the state

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would have to pay nearly \$176,000 in credit card fees to credit card processors. The Department of Administration indicates the bill would shift the credit card fee cost to all state agencies that currently charge a credit card processing fee. The Kansas Association of Counties estimates credit card processing fees charged by counties run between 2.0 percent and 3.0 percent and states that if counties cannot charge a credit card processing fee to recover costs, then the costs would have to be absorbed within county budgets. Any fiscal effect associated with HB 2726 is not reflected in *The FY 2013 Governor's Budget Report*.

Sincerely,



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

cc: Marilyn Jacobson, Administration
Steve Neske, Revenue
Melissa Wangemann, Kansas Association of Counties
Kelly Oliver, Board of Regents
Larry Baer, League of Kansas Municipalities