



January 31, 2011

The Honorable Richard Carlson, Chairperson  
 House Committee on Taxation  
 Statehouse, Room 274-W  
 Topeka, Kansas 66612

Dear Representative Carlson:

SUBJECT: Fiscal Note for HB 2091 by Representative Kinzer, et.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2091 is respectfully submitted to your committee.

HB 2091 would decrease the state retail sales and compensating use tax rates from 6.3 percent to 5.3 percent, effective July 1, 2011. The bill would set the amount of state retail sales and compensating use tax to be deposited in the State General Fund at 93/106 (87.736 percent) and the State Highway Fund at 13/106 (12.264 percent). Under current law, the state retail sales and compensating use tax rates and distributions are set to be adjusted as follows:

<u>Date of Rate Change</u>	<u>Tax Rate</u>	<u>Percent to State General Fund</u>	<u>Percent to State Highway Fund</u>
Current law	6.3 %	88.573 %	11.427 %
July 1, 2011	6.3	88.740	11.260
July 1, 2012	6.3	88.767	11.233
July 1, 2013	5.7	81.579	18.421

Estimated State Fiscal Effect				
	FY 2011 SGF	FY 2011 All Funds	FY 2012 SGF	FY 2012 All Funds
Revenue	--	--	(\$367,836,000)	(\$391,057,000)
Expenditure	\$42,700	\$42,700	--	--
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2091 would decrease state revenues by \$391,057,000 in FY 2012. Of that total, the State General Fund is estimated to decrease by \$367,836,000 in FY 2012, while the State Highway Fund is estimated to decrease by

\$23,221,000 in FY 2012. The decrease in revenues and how the November 2, 2010 consensus revenue estimate for FY 2012 would be affected are shown in the following table:

Effect on FY 2012 Consensus Revenue Estimates  
(Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (Nov. 2, 2010)	Change in Revenue FY 2012	Proposed Adjusted CRE FY 2012
Motor Carrier	\$ 27,000	\$ --	\$ 27,000
Income Taxes:			
Individual	2,705,000	--	2,705,000
Corporate	275,000	--	275,000
Financial Institutions	21,000	--	21,000
Excise Taxes:			
Retail Sales	2,090,000	(321,856)	1,768,144
Compensating Use	295,000	(45,980)	249,020
Cigarette	97,000	--	97,000
Corporate Franchise	8,000	--	8,000
Severance	94,300	--	94,300
All Other Excise Taxes	96,400	--	96,400
Other Taxes	<u>127,000</u>	<u>--</u>	<u>127,000</u>
Total Taxes	\$5,835,700	(\$ 367,836)	\$5,467,864
Other Revenues:			
Interest	\$ 11,800	\$ --	\$ 11,800
Transfers	(93,700)	--	(93,700)
Agency Earnings	<u>56,800</u>	<u>--</u>	<u>56,800</u>
Total Other Revenues	(\$ 25,100)	\$ --	(\$ 25,100)
Total Receipts	\$5,810,600	(\$ 367,836)	\$5,442,764

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

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
State General Fund	(\$416,071,000)	(\$35,887,000)	\$ --	\$ --
State Highway Fund	<u>(25,468,000)</u>	<u>(169,759,000)</u>	<u>(189,195,000)</u>	<u>(195,817,000)</u>
	(\$441,539,000)	(\$205,646,000)	(\$189,195,000)	(\$195,817,000)

To formulate these estimates, the Department of Revenue reviewed data on historic state retail sales and compensating use tax collections. The loss of revenue is based on the current consensus revenue estimates and state retail sales and compensating use tax rates in current law. The Department of Revenue indicates that the bill would require a special notice to all notices to

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Page 3—Fisc\_Note\_Hb2091

all retail sales and compensating use taxpayers, form changes, and testing computer system changes at a cost of \$42,700 from the State General Fund in FY 2011.

The Kansas Department of Transportation indicates that the reductions to the State Highway Fund proposed in HB 2091 would not allow the Department to fully fund the new ten-year comprehensive transportation plan, known as T-WORKS, which passed by the 2010 Legislature. The reduction in dedicated State Highway Fund revenue will also reduce the ability of KDOT from issuing bonds to finance preservation projects; expansion and modernization projects; transit, aviation, and rail projects; and projects for local governments. Any fiscal effect associated with HB 2091 is not reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", written in a cursive style.

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

cc: Steve Neske, Revenue  
Ben Cleaves, KDOT