

March 1, 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 2348 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2348 is respectfully submitted to your committee.

HB 2348 would require taxpayers claiming a deduction or tax credit on their Kansas individual income tax return to provide the Department of Revenue with a valid Social Security number issued by the Social Security Administration. The bill would require that unless another identifying number has been assigned to the individual by the Internal Revenue Service (IRS) to file the individual's federal income tax return, the Social Security number issued to an individual, the individual's spouse, and all dependents would be required to be included on the individual's Kansas income tax return. The bill would not apply to the tax credit for taxes paid to other states.

Estimated State Fiscal Effect				
	FY 2011 SGF	FY 2011 All Funds	FY 2012 SGF	FY 2012 All Funds
Revenue	--	--	\$15,300,000	\$15,300,000
Expenditure	--	--	\$64,080	\$64,080
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2348 would increase revenues to the State General Fund by \$15.3 million in FY 2012. The increase 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	15,300	2,720,300
Corporate	275,000	--	275,000
Financial Institutions	21,000	--	21,000
Excise Taxes:			
Retail Sales	2,090,000	--	2,090,000
Compensating Use	295,000	--	295,000
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	\$ 15,300	\$5,851,000
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	\$ 15,300	\$5,825,900

To formulate this estimate, the Department of Revenue reviewed data on individual Kansas income tax returns that were filed using an Individual Taxpayer Identification Number (ITIN) that was issued by the IRS. In tax year 2009, about 21,000 taxpayers with an ITIN filed Kansas income tax returns. For tax year 2012, it is estimated that these taxpayers would claim approximately \$323.0 million in deductions, which would be disallowed, increasing tax liability by \$12.9 million in FY 2012. Disallowing all tax credits would increase tax liability by approximately \$2.4 million in FY 2012.

The Department of Revenue indicates the bill would require \$64,080 from the State General Fund in administrative costs to modify the automated tax system. The Department estimates that the bill would require 1,440 hours of in-house programming and 720 hours of testing which 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

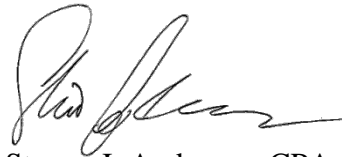
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Department's programming resources, or if the time for implementing the changes is too short, expenditures for outside contract programmer services beyond the Department's current budget may be required. Any fiscal effect associated with HB 2348 is not reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

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

cc: Steve Neske, Revenue