

February 7, 2012

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

Dear Representative Carlson:

SUBJECT: Fiscal Note for HB 2591 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2591 is respectfully submitted to your committee.

HB 2591 would amend the High Performance Incentive Program (HPIP) Tax Credit to allow members of a unitary group to share unused HPIP Tax Credit under certain conditions. To be able to share the unused carry forward HPIP Tax Credit, the corporation must meet the following conditions:

1. Be a member of a unitary group filing a combined report;
2. Have filed a certificate of intent on or after October 1, 2011 and prior to June 30, 2013 to place in service a qualified business facility investment of at least \$10.0 million and create a minimum of 50 new jobs that satisfy certain wage requirements at a qualified business facility after October 1, 2011; and
3. Have entered into an agreement with the Secretary of Commerce.

The bill would allow a corporation to use up to 15.0 percent of its carry forward HPIP Tax Credits earned prior to January 1, 2012 to apply against the tax liability of any member or members of the unitary group in a tax year and in the following six tax years. The bill would allow HPIP Tax Credits earned by the qualifying corporation after January 1, 2012 to be applied against the tax liability of any member or members of the unitary group in the tax year that the credits were earned. The bill also includes technical amendments to the HPIP Tax Credit and Job Expansion and Investment Tax Credit.

Estimated State Fiscal Effect				
	FY 2012 SGF	FY 2012 All Funds	FY 2013 SGF	FY 2013 All Funds
Revenue	--	--	(\$1,000,000)	(\$1,000,000)
Expenditure	--	--	\$118,800	\$118,800
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2591 would decrease State General Fund revenues by \$1.0 million in FY 2013. The decrease in revenues and how the November 4, 2011 consensus revenue estimate for FY 2013 would be affected are shown in the following table:

Effect on FY 2013 Consensus Revenue Estimates
(Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (Nov. 4, 2011)	Change in Revenue FY 2013	Proposed Adjusted CRE FY 2013
Motor Carrier	\$ 21,000	\$ --	\$ 21,000
Income Taxes:			
Individual	3,065,000	--	3,065,000
Corporate	240,000	(1,000)	239,000
Financial Institutions	24,000	--	24,000
Excise Taxes:			
Retail Sales	2,200,000	--	2,200,000
Compensating Use	335,000	--	335,000
Cigarette	92,000	--	92,000
Corporate Franchise	6,000	--	6,000
Severance	102,800	--	102,800
All Other Excise Taxes	96,000	--	96,000
Other Taxes	<u>141,000</u>	<u>--</u>	<u>141,000</u>
Total Taxes	\$6,322,800	(\$ 1,000)	\$6,321,800
Other Revenues:			
Interest	\$ 7,400	\$ --	\$ 7,400
Transfers	(90,300)	--	(90,300)
Agency Earnings	<u>51,500</u>	<u>--</u>	<u>51,500</u>
Total Other Revenues	(\$ 31,400)	\$ --	(\$ 31,400)
Total Receipts	\$6,291,400	(\$ 1,000)	\$6,290,400

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

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	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
State General Fund	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)

To formulate these estimates, the Department of Revenue reviewed data on HPIP Tax Credit Program and information provided by the unitary group intended to be the beneficiary of this proposal. The Department estimates that allowing a unitary group to share carry forward HPIP Tax Credit would increase the amount of HPIP Tax Credits claimed by \$1.0 million for tax year 2012 and beyond, which would reduce State General Fund revenues by \$1.0 million for FY 2013 and beyond.

The Department of Revenue indicates that the bill would require \$118,800 in administrative costs to update forms and instructions and to create a new process to separately track this variation to the HPIP Tax Credit. The required programming for this bill by itself (2,720 hours in in-house programming and 1,240 hours of implementation) 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 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.

The Department of Commerce indicates that it currently operates the HPIP Program and that the proposed administrative responsibilities of HB 2591 could be implemented within the agency's existing resources and staff levels. Any fiscal effect associated with HB 2591 is not reflected in *The FY 2013 Governor's Budget Report*.

Sincerely,



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

cc: Steve Neske, Revenue
Jason Glasrud, Commerce