



February 15, 2012

The Honorable Les Donovan, Chairperson
 Senate Committee on Assessment and Taxation
 Statehouse, Room 123-E
 Topeka, Kansas 66612

Dear Senator Donovan:

SUBJECT: Fiscal Note for SB 312 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 312 is respectfully submitted to your committee.

Under current law, the state retail sales and compensating use tax rates will be reduced from 6.3 percent to 5.7 percent, effective July 1, 2013. SB 312 would make this rate change occur six months earlier beginning on January 1, 2013 and would set the amount of state retail sales and compensating use tax to be deposited in the State General Fund at 87.59 percent and the State Highway Fund at 12.41 percent for the remainder of FY 2013. 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 %	88.740	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 2012 SGF	FY 2012 All Funds	FY 2013 SGF	FY 2013 All Funds
Revenue	--	--	(\$113,300,000)	(\$113,300,000)
Expenditure	--	--	\$22,400	\$22,400
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 312 would decrease State General Fund revenues by \$113.3 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	--	240,000
Financial Institutions	24,000	--	24,000
Excise Taxes:			
Retail Sales	2,200,000	(98,300)	2,101,700
Compensating Use	335,000	(15,000)	320,000
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	(\$ 113,300)	\$6,209,500
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	(\$ 113,300)	\$6,178,100

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

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
State General Fund	(\$23,500,000)	--	--	--

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 also estimates that the bill would reduce State General Fund revenue by \$23.5 million in FY 2014. The reduction in revenues accounts for the lag between when retailers collect the retail sales and compensating use taxes and when they are required to be remitted to the Department of Revenue, which in this case would extend over two fiscal years. The Department of Revenue indicates that the bill would require changes to publications and forms, mailing a notice of the tax rate change to all retail sales and compensating use taxpayers, and testing computer system changes at a cost of \$22,400 from the State General Fund in FY 2013.

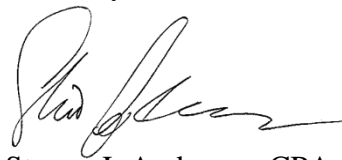
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The Kansas Department of Transportation indicates that the bill would have no fiscal effect on the State Highway Fund or its operations. The Department indicates that the proposed changes in the bill are designed to be revenue neutral for the State Highway Fund and the bill would allow the Department to fund the ten-year comprehensive transportation plan, known as T-WORKS, which was passed by the 2010 Legislature. The dedicated State Highway Fund revenue from the state sales tax and compensating use tax allows KDOT to issue bonds to finance preservation projects; expansion and modernization projects; transit, aviation, and rail projects; and projects for local governments. Any fiscal effect associated with SB 312 is not reflected in *The FY 2013 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
Ben Cleeves, Transportation