

February 8, 2013

The Honorable Richard Carlson, Chairperson
House Committee on Taxation
Statehouse, Room 285-N
Topeka, Kansas 66612

Dear Representative Carlson:

SUBJECT: Fiscal Note for HB 2063 by Representative Whipple, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2063 is respectfully submitted to your committee.

HB 2063 creates a refundable income tax credit beginning in tax year 2013 for property taxes owed on a homestead located in a disaster area that has sustained substantial damage. The substantial damage from the natural disaster must amount to at least 50.0 percent of the market value of the homestead before the damage occurred. The tax credit would be prorated based on the month when the disaster has occurred, 100.0 percent if the disaster occurs in January to 8.33 percent if the disaster occurs in December. The tax credit would not be allowed if the taxpayer has received funds equal to 50.0 percent of the pre-disaster market value of the homestead from a private or public buyout or from insurance proceeds. The bill would require that the disaster area be declared by the President under the Robert T. Stafford Disaster and Emergency Relief Act.

The Department of Revenue estimates that HB 2063 would decrease State General Fund revenues in FY 2014 and in each future fiscal year. However, the amount of reduced State General Fund revenues cannot be precisely estimated without data on the number of homesteads located in a federally declared disaster area that would have at least 50.0 percent damage and the amount of property taxes paid on those homesteads. The Department indicates that at least one federal disaster has been declared in Kansas in every year since 1998 with multiple natural disasters occurring in eight of those years. The Department indicates that if 1,000 homesteads qualify for this income tax credit each year and the amount of property taxes paid average \$1,800 per homestead, then the fiscal effect of the bill would be a reduction of State General Fund revenues of approximately \$1.8 million.

The Department indicates that the bill would require \$81,500 from the State General Fund in FY 2014 to implement the bill and to modify the automated tax system. The required

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programming for this bill by itself (1,440 hours of in-house programming and 1,320 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. Any fiscal effect associated with HB 2063 is not reflected in *The FY 2014 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