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Steven J. Anderson, CPA, MBA, Director

Sam Brownback, Governor

March 8, 2013

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 229 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 229 is respectfully submitted to your committee.

SB 229 would provide a remittance credit to retailers for the collection of retail sales and compensating use taxes on behalf of the State of Kansas. The bill would allow a retailer to receive a credit of 1.5 percent of the amount of retail sales and compensating use taxes that are remitted up to a maximum of $200. The maximum credit amount would continue to be $200 for any retailer that changes from filing a consolidated return to a return on a per location basis.

Estimated State Fiscal Effect				
	FY 2013 SGF	FY 2013 All Funds	FY 2014 SGF	FY 2014 All Funds
Revenue	--	--	($11,600,000)	($14,250,000)
Expenditure	--	--	$109,950	$109,950
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 229 would decrease state revenues by $14,250,000 in FY 2014. Of that total, the State General Fund is estimated to decrease by $11.6 million in FY 2014, while the State Highway Fund is estimated to decrease by $2,650,000 in FY 2014. This bill also is estimated to decrease local revenues by $4.0 million in FY 2014. The decrease in revenues and how the November 6, 2012 consensus revenue estimate for FY 2014 would be affected are shown in the following table:

Effect on FY 2014 Consensus Revenue Estimates
(Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (Nov. 6, 2012)	Change in Revenue FY 2014	Proposed Adjusted CRE FY 2014
Motor Carrier	$ 39,000	$ --	$ 39,000
Income Taxes:			
Individual	2,385,000	--	2,385,000
Corporate	360,000	--	360,000
Financial Institutions	30,000	--	30,000
Excise Taxes:			
Retail Sales	1,952,000	(10,040)	1,941,960
Compensating Use	303,000	(1,560)	301,440
Cigarette	92,000	--	92,000
Corporate Franchise	6,000	--	6,000
Severance	137,400	--	137,400
All Other Excise Taxes	99,600	--	99,600
Other Taxes	151,500	--	151,500
Total Taxes	$5,555,500	($ 11,600)	$5,543,900
Other Revenues:			
Interest	$ 9,700	$ --	$ 9,700
Transfers	(155,900)	--	(155,900)
Agency Earnings	55,000	--	55,000
Total Other Revenues	($ 91,200)	$ --	($ 91,200)
Total Receipts	$5,464,300	($ 11,600)	$5,452,700

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

	FY 2015	FY 2016	FY 2017	FY 2018
State General Fund	($12,040,000)	($12,490,000)	($12,950,000)	($13,440,000)
State Highway Fund	(2,750,000)	(2,850,000)	(2,960,000)	(3,070,000)
Local Governments	(4,150,000)	(4,310,000)	(4,470,000)	(4,630,000)
	($18,940,000)	($19,650,000)	($20,380,000)	($21,140,000)

To formulate these estimates, the Department of Revenue reviewed data on current fillings for the retail sales and compensating use taxes. The Department indicates that future estimates are based on retail sales and compensating use taxes growing at an annual rate of 3.75 percent.

The Department of Revenue indicates that it would require $109,950 from the State General Fund in FY 2014 for the administrative costs to implement the bill for the costs associated with creating forms and instructions and to modify its sales tax computer processing system. The required programming for this bill by itself 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 Kansas Department of Transportation (KDOT) indicates that the bill would reduce state revenues to the State Highway Fund as noted above. KDOT indicates that when the state receives lower State Highway Fund dollars it is required to make corresponding reductions to planned expenditures for projects funded under the comprehensive transportation plan, known as T-WORKS. KDOT also indicates that the reduction in revenue may require it to increase the amount of bonds that it plans to issue under its current bonding authority in order to complete planned projects. Any fiscal effect associated with SB 229 is not reflected in *The FY 2014 Governor's Budget Report*.

The Kansas Association of Counties and the League of Kansas Municipalities indicate that the bill would provide a net reduction to local sales tax collections. Local governments would be able to receive the remittance credit for the sales taxes that they collect; however, the remittance credit would not offset the reduction in local sales tax revenues from the remittance credits claimed by all other retailers. If lower local sales tax revenues are generated as a result of SB 229, then local governments would be required to offset this reduction by increasing local sales tax rates, increasing the local mill levy, increasing fees, decreasing expenditures, or by some combination of these actions.

Sincerely,

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

cc: Steve Neske, Revenue
Melissa Wangemann, KAC
Larry Baer, LKM
Ben Cleeves, KDOT