

# STATE OF KANSAS

DIVISION OF THE BUDGET  
LONDON STATE OFFICE BUILDING  
900 SW JACKSON STREET, ROOM 504  
TOPEKA, KS 66612



PHONE: (785) 296-2436  
FAX: (785) 296-0231  
LARRY.CAMPBELL@KS.GOV

GOVERNOR JEFF COLYER, M.D.  
LARRY L. CAMPBELL, CHIEF BUDGET OFFICER

February 7, 2018

The Honorable Steven Johnson, Chairperson  
House Committee on Taxation  
Statehouse, Room 185-N  
Topeka, Kansas 66612

Dear Representative Johnson:

**SUBJECT:** Fiscal Note for HB 2489 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2489 is respectfully submitted to your committee.

HB 2489 would eliminate the taxpayer's option to use the apportionment rules of the Multistate Tax Compact to determine business income and allocation of income tax liability between states. In the event of a conflict between the Kansas Income Tax Act and the Multistate Tax Compact, the language in the Kansas Income Tax Act would be used. The bill would also make changes to the definition of business income by defining business income for all tax years commencing after December 31, 2007, as:

1. Income arising from transactions and activity in the regular course of the taxpayer's trade or business;
2. Income arising from transactions and activity involving tangible and intangible property or assets used in the operation of the taxpayer's trade or business; or
3. Income of the taxpayer that may be apportioned to this state under the provisions of the U.S. Constitution and federal law, except that a taxpayer may elect that all income constitutes business income. Any election made would be effective and irrevocable for the tax year in which the election is made and the following nine tax years and would also be binding on all members of a unitary group of corporations.

The Honorable Steven Johnson, Chairperson

February 7, 2018

Page 2—HB 2489

The Department of Revenue indicates HB 2489 has no direct fiscal effect. However, this bill has the potential to prevent a State General Fund revenue decrease in corporate income tax receipts. The Department of Revenue indicates that if taxpayers elect to use the alternative apportionment rules of the Multistate Tax Compact instead of apportionment rules in state law, then Kansas tax liability could be reduced significantly. The Department of Revenue estimates that the administrative costs associated with the bill would be negligible and could be absorbed within existing resources. Any fiscal effect associated with HB 2489 is not reflected in *The FY 2019 Governor's Budget Report*.

Sincerely,

A handwritten signature in cursive script, appearing to read "L. Campbell".

Larry L. Campbell  
Chief Budget Officer

cc: Lynn Robinson, Department of Revenue