

February 16, 2021

The Honorable Adam Smith, Chairperson
House Committee on Taxation
Statehouse, Room 185A-N
Topeka, Kansas 66612

Dear Representative Smith:

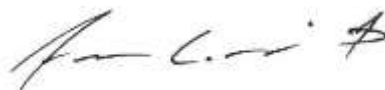
SUBJECT: Fiscal Note for HB 2239 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2239 is respectfully submitted to your committee.

Under current law, a taxpayer's net operating losses can be carried forward up to ten tax years following the taxable year of the net operating loss. HB 2239 would extend the net operating loss carried forward period to 20 years beginning retroactively to tax year 2018.

The Department of Revenue indicates that HB 2239 would have no immediate fiscal impact on state income tax receipts. The Department indicates the bill would reduce State General Fund revenues by approximately \$1,860,000 in tax year 2029 or FY 2030. Extending the net operating loss carried forward period to 20 years would have no fiscal effect until tax year 2029 or FY 2030. In tax year 2018, corporations claimed approximately \$1.32 billion in net operating loss deductions, which represents approximately \$93.0 million in reductions of future tax liability. Assuming similar results in future tax years and if 2.0 percent of the amount of net operating loss deductions is not utilized until after the 10th taxable year, then the bill would reduce State General Fund revenues by approximately \$1,860,000 million in tax year 2029 or FY 2030. The Department indicates that the bill would have no fiscal effect on its operations. Any fiscal effect associated with HB 2239 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,



Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue