



January 26, 2011

The Honorable Richard Carlson, Chairperson
 House Committee on Taxation
 Statehouse, Room 274-W
 Topeka, Kansas 66612

Dear Representative Carlson:

SUBJECT: Fiscal Note for HB 2051 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2051 is respectfully submitted to your committee.

HB 2051 would allow members of a unitary group to claim excess High Performance Incentive Program (HPIP) tax credits that are earned by another member of the unitary group. The bill would also extend the current ten-year carry forward period to 20 years for HPIP tax credits and would eliminate the requirement that the taxpayer be recertified on an annual basis.

Estimated State Fiscal Effect				
	FY 2011 SGF	FY 2011 All Funds	FY 2012 SGF	FY 2012 All Funds
Revenue	--	--	(\$7,100,000)	(\$7,100,000)
Expenditure	--	--	\$720	\$720
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2051 would decrease State General Fund revenue by \$7.1 million in FY 2012. The decrease in revenues and how the November 2, 2010 consensus revenue estimate for FY 2012 would be affected are shown in the following table:

Effect on FY 2012 Consensus Revenue Estimates
 (Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (Nov. 2, 2010)	Change in Revenue FY 2012	Proposed Adjusted CRE FY 2012
Motor Carrier	\$ 27,000	\$ --	\$ 27,000
Income Taxes:			
Individual	2,705,000	--	2,705,000

The Honorable Richard Carlson, Chairperson

January 26, 2011

Page 2—Fisc_Note_Hb2051

Corporate	275,000	(7,100)	267,900
Financial Institutions	21,000	--	21,000
Excise Taxes:			
Retail Sales	2,090,000	--	2,090,000
Compensating Use	295,000	--	295,000
Cigarette	97,000	--	97,000
Corporate Franchise	8,000	--	8,000
Severance	94,300	--	94,300
All Other Excise Taxes	96,400	--	96,400
Other Taxes	<u>127,000</u>	<u>--</u>	<u>127,000</u>
Total Taxes	\$5,835,700	(\$ 7,100)	\$5,828,600
Other Revenues:			
Interest	\$ 11,800	\$ --	\$ 11,800
Transfers	(93,700)	--	(93,700)
Agency Earnings	<u>56,800</u>	<u>--</u>	<u>56,800</u>
Total Other Revenues	(\$ 25,100)	\$ --	(\$ 25,100)
Total Receipts	\$5,810,600	(\$ 7,100)	\$5,803,500

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

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
State General Fund	(\$7,800,000)	(\$8,530,000)	(\$9,280,000)	(\$10,060,000)

To formulate these estimates, the Department of Revenue reviewed data on historical HPIP tax credit carry forwards and audit results. The Department of Revenue estimates that there will be \$33.0 million in HPIP tax credits claimed in FY 2012. Allowing members of a unitary group to share HPIP tax credits earned by a group member would increase the amount of credits claimed by 20.0 percent, or \$6.6 million, and extending the carry forward period is estimated to increase the amount of credits claimed by an additional \$500,000 in FY 2012. Extending the carry forward period is also estimated to continue to increase the amount of credits claimed each year for the next ten years before stabilizing. According to the Department of Revenue, updating the forms and instructions for the corporate income tax and HPIP tax credit would cost \$720. Any fiscal effect associated with HB 2051 is not reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,



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

cc: Steve Neske, Revenue

Traci Herrick, Commerce