



February 7, 2011

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 61 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 61 is respectfully submitted to your committee.

SB 61 would increase the Individual Development Account Tax Credit from 50.0 percent of the contribution amount to 75.0 percent beginning with tax year 2011.

Estimated State Fiscal Effect				
	FY 2011 SGF	FY 2011 All Funds	FY 2012 SGF	FY 2012 All Funds
Revenue	--	--	(\$32,000)	(\$32,000)
Expenditure	--	--	\$10,760	\$10,760
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 61 would decrease State General Fund revenues by \$32,000 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	(32)	2,704,968
Corporate	275,000	--	275,000
Financial Institutions	21,000	--	21,000

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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	\$ (32)	\$5,835,668

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	\$ (32)	\$5,810,568

To formulate these estimates, the Department of Revenue reviewed data on the amount of Individual Development Account Tax Credits that were claimed in tax year 2009. The Department indicates that approximately \$64,000 in tax credits were claimed in tax year 2009 and increasing the tax credit from 50.0 percent of the contribution amount to 75.0 percent would have provided an additional \$32,000 in tax credits in tax year 2009. Assuming that the same amount of tax credits will be claimed in tax year 2011, the Department of Revenue estimates that a total of \$96,000 in tax credits would be claimed.

The Department of Revenue indicates the bill would require \$10,760 in administrative costs to modify the automated tax system. The Department estimates that the bill would require 320 hours of in-house programming and implementation which 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 SB 61 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