

January 22, 2020

The Honorable Robert Olson, Chairperson
Senate Committee on Financial Institutions and Insurance
Statehouse, Room 236-E
Topeka, Kansas 66612

Dear Senator Olson:

SUBJECT: Fiscal Note for SB 259 by Senate Committee on Financial Institutions and Insurance

In accordance with KSA 75-3715a, the following fiscal note concerning SB 259 is respectfully submitted to your committee.

SB 259 would allow national banking associations, state banks, trust companies, and savings and loan associations to deduct the net interest income received from business loans and single family residence loans from net income if the interest is included in the Kansas taxable income of a corporation. This bill would go into effect for tax years starting January 1, 2020.

Estimated State Fiscal Effect				
	FY 2020 SGF	FY 2020 All Funds	FY 2021 SGF	FY 2021 All Funds
Revenue	--	--	(\$43,000,000)	(\$43,000,000)
Expenditure	--	--	\$45,951	\$45,951
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 259 would decrease state revenues by \$43.0 million in FY 2021, all from the State General Fund. The Department of Revenue indicates that because the bill does not limit the deductions to loans tied to Kansas, banks making loans in other states or foreign countries would be able to claim interest from those loans as a Kansas deduction. This would likely eliminate all Kansas privilege tax liability.

The Department indicates that the bill would require \$45,951 from the State General Fund in FY 2021 to implement the bill and to modify the automated tax system. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. In addition, 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, additional expenditures for outside contract programmer services beyond the Department's current budget may be required.

The Office of the State Bank Commissioner states that passage of the bill would not have a fiscal effect on its operating expenditures. Any fiscal effect associated with SB 259 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. L. Campbell". The signature is fluid and cursive, with a large initial "L" and a long, sweeping underline.

Larry L. Campbell
Director of the Budget

cc: Melissa Wangemann, Office of Banking Commissioner
Jerel Wright, Credit Unions
Lynn Robinson, Department of Revenue