



February 15, 2023

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
300 SW 10th Avenue, Room 548-S
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 124 by Senator Pittman

In accordance with KSA 75-3715a, the following fiscal note concerning SB 124 is respectfully submitted to your committee.

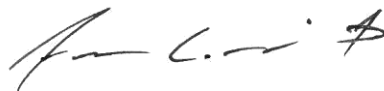
Under current law, taxpayers are required to pay state income taxes on certain gambling winnings but are not allowed to deduct any losses from gambling. SB 124 would allow 100.0 percent of gambling losses claimed on federal income tax returns to be claimed as an itemized deduction on state income tax returns beginning in tax year 2023 and in each future tax year.

| Estimated State Fiscal Effect | | | | |
|-------------------------------|----------------|----------------------|----------------|----------------------|
| | FY 2023 SGF | FY 2023 All Funds | FY 2024 SGF | FY 2024 All Funds |
| Revenue | -- | -- | (\$8,600,000) | (\$8,600,000) |
| Expenditure | -- | -- | \$63,176 | \$63,176 |
| FTE Pos. | -- | -- | -- | -- |

The Department of Revenue estimates that SB 124 would decrease State General Fund revenues by \$8.6 million in FY 2024 and in each future fiscal year. To formulate this estimate, the Department reviewed Internal Revenue Service data on gambling losses claimed on federal tax returns. The Department of Revenue estimates that Kansas taxpayers would claim approximately \$171.0 million in gambling losses in tax year 2023 under the provisions of the bill, which would reduce state income tax collections by approximately \$8.6 million in tax year 2023 or FY 2024.

The Department of Revenue indicates that it would require a total of \$63,176 from the State General Fund in FY 2024 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. Any fiscal effect associated with SB 124 is not reflected in *The FY 2024 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

cc: Tamara Emery, Department of Administration
Lynn Robinson, Department of Revenue