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GOVERNOR JEFF COLYER, M.D.
LARRY L. CAMPBELL, CHIEF BUDGET OFFICER

March 12, 2018

CORRECTED

The Honorable Steven Johnson, Chairperson
House Committee on Taxation
Statehouse, Room 185-N
Topeka, Kansas 66612

Dear Representative Johnson:

SUBJECT: Corrected Fiscal Note for HB 2661 by Representative Hodge

In accordance with KSA 75-3715a, the following corrected fiscal note concerning HB 2661 is respectfully submitted to your committee.

Under current law, the normal corporate income tax rate is set at 4.0 percent and the surtax rate is set at 3.0 percent for corporate income above $50,000. HB 2661 would create a two-bracket normal corporate income tax beginning in tax year 2018 and in all future tax years. The normal corporate income tax rate would be set at 4.0 percent for income under $1.0 million and 10.0 percent for income of $1.0 million and over. The bill eliminates outdated language for the surtax rate, but does not make any substantial changes to the surtax rate. The bill would prohibit any penalties or interest from the underpayment of corporate income taxes from the tax rate changes in tax year 2018, as long as the taxes are paid by April 15, 2019.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	--	$296,000,000	$296,000,000
Expenditure	--	--	$50,765	$50,765
FTE Pos.	--	--	--	--

In the original fiscal note issued, the Department of Revenue provided an incorrect calculation of the fiscal effect. The Department of Revenue estimates that HB 2661 would increase State General Fund revenues by $296.0 million in FY 2019, by $301.0 million in FY 2020, and by

$305.0 million in FY 2021. To formulate these estimates, the Department of Revenue reviewed data from tax year 2015 to establish a baseline for the tax rate changes. The Department of Revenue indicates that State General Fund estimates for FY 2019 are based on the November 2017 Consensus Revenue Estimate. State General Fund revenues in the out years assume annual growth rates of approximately 1.7 percent.

The Department indicates that the bill would require $50,765 from the State General Fund in FY 2019 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. 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, additional expenditures for outside contract programmer services beyond the Department's current budget may be required. Any fiscal effect associated with HB 2661 is not reflected in *The FY 2019 Governor's Budget Report*.

Sincerely,

L. Campbell

Larry L. Campbell
Chief Budget Officer

cc: Lynn Robinson, Department of Revenue