STATE OF KANSAS

DIVISION OF THE BUDGET
LANDON STATE OFFICE BUILDING
900 SW JACKSON STREET, ROOM 504
TOPEKA, KS 66612

PHONE: (785) 296-2436
FAX: (785) 296-0231
larry.campbell@ks.gov
http://budget.kansas.gov

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

April 5, 2018

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

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2794 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2794 is respectfully submitted to your committee.

Calculations for Kansas income taxes are based on the Kansas adjusted gross income, which is calculated by adding or subtracting certain types of income from the federal adjusted gross income. HB 2794 would require 80.0 percent of deferred foreign income that is included in the taxpayer's federal adjusted gross income, after allowable deductions, to be subtracted from income for Kansas income tax purposes beginning in tax year 2017. This will allow 20.0 percent of this income to be subject to state income taxes. The bill would also require 80.0 percent of global intangible low-taxed income (GILTI), after allowable deductions, to be subtracted from income for Kansas income tax purposes beginning in tax year 2018. This will allow 20.0 percent of this income to be subject to state income taxes.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	--	Unknown	Unknown
Expenditure	--	--	$259,022	$259,022
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2794 would increase State General Fund revenues; however, it does not have data on the amount of additional income that would now be subject to Kansas income taxes to make an estimate of the fiscal effect. The Federal Joint Commission on Taxation has estimated the fiscal effects from the international income provisions outlined in recent federal tax law changes, but their methodology of estimating overseas income is currently unknown. The Department of Revenue indicates that it is likely that the tax treatment of international income would increase state individual and corporate tax collections because it is assumed that some taxpayers would be enticed to move foreign income back to Kansas to receive a lower tax bill; however, the Department does not have the ability to test the scale of this provision.

The Department indicates that the bill would require $259,022 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.

The Department of Administration indicates that adjusting state income tax collections has the potential to have a fiscal effect on the amount of revenue collected from its debt setoff program. This program intercepts individual income tax refunds and homestead tax refunds and applies those amounts to debts owed to state agencies, municipalities, district courts, and state agencies in other states. Debts include, but are not limited to child support, taxes, educational expenses, fines, services provided to the debtor, and court ordered restitution. As the dollar amounts of refunds are decreased, the amount available for possible debt setoffs is also reduced. However, the Department is unable to make an estimate of the amount of debt setoffs that would no longer be intercepted as a result of the bill. Any fiscal effect associated with HB 2794 is not reflected in *The FY 2019 Governor's Budget Report*.

Sincerely,

L. Campbell

Larry L. Campbell
Chief Budget Officer

cc: Colleen Becker, Department of Administration
Lynn Robinson, Department of Revenue