

April 17, 2019

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

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2417 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2417 is respectfully submitted to your committee.

Under current law, a taxpayer's net operating losses can be carried forward up to ten tax years following the taxable year of the net operating loss. HB 2417 would extend the net operating loss carried forward period to 20 years beginning in tax year 2018. The amount of the net operating loss deduction would be the lesser of the aggregate Kansas net operating loss carryover to that tax year or 80.0 percent of Kansas taxable income computed without the allowable net operating loss deduction.

The Department of Revenue indicates that HB 2417 would reduce State General Fund revenues by approximately \$1.4 million in tax year 2029 or FY 2030. Extending the net operating loss carried forward period to 20 years would have no fiscal effect until tax year 2029 or FY 2030. In tax year 2016, corporations claimed approximately \$1.0 billion in net operating loss deductions, which represents approximately \$70.0 million in reductions of future tax liability. Assuming similar results in tax year 2018 and if 2.0 percent of the amount of net operating loss deductions is not utilized until after the 10th taxable year, then the bill would reduce State General Fund revenues by approximately \$1.4 million in tax year 2029 or FY 2030.

The Department of Revenue indicates that it would require a total of \$213,775 from the State General Fund in FY 2020 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 and outside contract programmer services. 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 HB 2417 is not reflected in *The FY 2020 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