

February 3, 2020

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

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2490 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2490 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 2490 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 2490 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 2017, 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. There would also be similar reductions in State General Fund revenue in future fiscal years that would be dependent on future net operating losses that would be allowed to be carried forward beyond FY 2030.

The Department indicates that the bill would require \$140,892 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. Any fiscal effect associated with HB 2490 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: Lynn Robinson, Department of Revenue