

February 18, 2021

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

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2266 by Representative Bishop

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2266 is respectfully submitted to your committee.

Under current law, a taxpayer is only allowed to use itemized deductions on a state income tax return if they also use itemized deductions on the federal income tax return. HB 2266 would allow the taxpayer to use itemized deductions on the state income tax return regardless if they use itemized deductions on federal income tax return beginning in tax year 2021. The bill would also remove outdated language on itemized deductions.

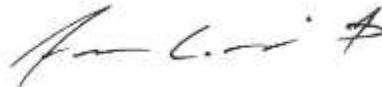
Estimated State Fiscal Effect				
	FY 2021 SGF	FY 2021 All Funds	FY 2022 SGF	FY 2022 All Funds
Revenue	--	--	(\$60,900,000)	(\$60,900,000)
Expenditure	--	--	\$254,238	\$254,238
FTE Pos.	--	--	--	3.00

The Department of Revenue estimates that HB 2266 would decrease State General Fund revenues by \$60.9 million in FY 2022, \$61.5 million in FY 2023, and \$62.0 million in FY 2024. To formulate these estimates, the Department of Revenue reviewed data on standard and itemized deductions from tax year 2017. Federal tax reform has enticed more federal standard deduction users through the raising of the standard deduction and the limit on itemized deductions.

The Department of Revenue indicates that it would require a total \$254,238 from the State General Fund in FY 2022 to implement the bill and to modify the automated tax system. The bill would require the Department to hire 3.00 new Customer Service Representative FTE positions to review and process state returns that include itemized deductions. This bill would require modifications to 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.

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 increased, the amount available for possible debt setoffs is also increased. However, the Department is unable to make an estimate of the amount of additional debts setoffs that will be intercepted as a result of the bill. Any fiscal effect associated with HB 2266 is not reflected in *The FY 2022 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: Lynn Robinson, Department of Revenue
Jeff Scannell, Department of Administration