

March 19, 2013

The Honorable Richard Carlson, Chairperson
House Committee on Taxation
Statehouse, Room 285-N
Topeka, Kansas 66612

Dear Representative Carlson:

SUBJECT: Fiscal Note for HB 2379 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2379 is respectfully submitted to your committee.

HB 2379 would allow gold and silver bullion coins issued by the federal government to be used as legal tender in Kansas. However, the bill would not allow a person to compel another person to tender or accept gold and silver coins that are issued by the federal government.

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 amount of federal adjusted gross income. The bill would allow a subtraction modification for any capital gain from the sale of gold and silver bullion coins issued by the federal government. The subtraction modification would be available to taxpayers beginning in tax year 2013. The bill would also provide a retail sales tax exemption for all sales of gold and silver bullion coins issued by the federal government.

The Department of Revenue estimates that HB 2379 would decrease state revenues by \$100,000 in FY 2014. Of that total, the State General Fund is estimated to decrease by \$82,000 in FY 2014, while the State Highway Fund is estimated to decrease by \$18,000 in FY 2014. This bill would also decrease local sales tax revenues by a negligible amount. The decrease in revenues and how the November 6, 2012 consensus revenue estimate for FY 2014 would be affected are shown in the following table:

Effect on FY 2014 Consensus Revenue Estimates
(Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (Nov. 6, 2012)	Change in Revenue FY 2014	Proposed Adjusted CRE FY 2014
Motor Carrier	\$ 39,000	\$ --	\$ 39,000
Income Taxes:			
Individual	2,385,000	--	2,385,000

Corporate	360,000	--	360,000
Financial Institutions	30,000	--	30,000
Excise Taxes:			
Retail Sales	1,952,000	(82)	1,951,918
Compensating Use	303,000	--	303,000
Cigarette	92,000	--	92,000
Corporate Franchise	6,000	--	6,000
Severance	137,400	--	137,400
All Other Excise Taxes	99,600	--	99,600
Other Taxes	<u>151,500</u>	<u>--</u>	<u>151,500</u>
Total Taxes	\$5,555,500	(\$ 82)	\$5,555,418
Other Revenues:			
Interest	\$ 9,700	\$ --	\$ 9,700
Transfers	(155,900)	--	(155,900)
Agency Earnings	<u>55,000</u>	<u>--</u>	<u>55,000</u>
Total Other Revenues	(\$ 91,200)	\$ --	(\$ 91,200)
Total Receipts	\$5,464,300	(\$ 82)	\$5,464,218

To formulate these estimates, the Department of Revenue reviewed data from the United States Mint. The Department indicates that the United States Mint sold 753,000 ounces of gold bullion coins and 33.7 million ounces of silver bullion coins in 2012. Data are not available on the specific volume and dollar value of gold and silver bullion coins that are sold in Kansas. The Department indicates that the current sales of gold and silver bullion coins by the federal government are not subject to retail sales tax; therefore, the only sales affected by this bill are sales by retailers (sales by individuals would not be subject to the retail sales tax as they would be considered an isolated or occasional sale). The Department indicates that from past research on similar legislation, the sales tax exemption of gold and silver bullion coins issued by the federal government would result in the loss of state sales tax receipts of less than \$100,000 annually. The Department does not have information to accurately estimate the annual amount of capital gains from the sales of gold and silver bullion coins issued by the federal government. No estimate of the fiscal effect on that portion of the bill was provided by the Department of Revenue.

The Department indicates that the bill would require \$63,780 from the State General Fund in FY 2014 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, expenditures for outside contract programmer services beyond the Department's current budget may be required.

The State Treasurer indicates that if it decides to accept gold and silver bullion coins as legal tender then it would have to develop procedures for handling the coins. Assuming that the number of transactions involving gold and silver bullion coins would be small, the transaction

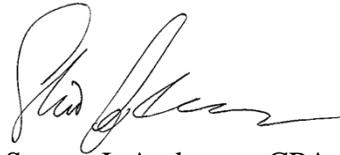
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costs associated with accepting gold and silver bullion coins would be negligible. However, it is unknown if the State Treasurer or any other state agency would decide to accept gold and silver bullion coins as legal tender. Any fiscal effect associated with HB 2379 is not reflected in *The FY 2014 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", written in a cursive style.

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Steve Neske, Revenue
Derek Kreifels, Treasurer's Office