

April 20, 2016

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

Dear Representative KleeB:

SUBJECT: Fiscal Note for HB 2680 by Representative Sawyer, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2680 is respectfully submitted to your committee.

HB 2680 would allow qualifying corporations to utilize a water's edge election for income tax purposes. The bill explains how the water's edge election would work and would direct the Department of Revenue to give biennial reports regarding tax havens to standing committees on taxation in the Senate and House of Representatives.

The Department of Revenue indicates the bill would increase administrative costs by \$161,289; this includes \$63,501 for 1.00 additional FTE position. The agency also indicates the bill may decrease corporate income taxes collected by the state because corporations would only use the water's edge election if it lowered the corporation's tax liability. Any fiscal effect associated with HB 2680 is not reflected in *The FY 2017 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: Jack Smith, Department of Revenue