

March 6, 2017

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

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2372 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2372 is respectfully submitted to your committee.

HB 2372 would allow renters to claim the Homestead Property Tax Refund for tax year 2018 and in each future tax year.

| Estimated State Fiscal Effect | | | | |
|-------------------------------|----------------|----------------------|----------------|----------------------|
| | FY 2018 SGF | FY 2018 All Funds | FY 2019 SGF | FY 2019 All Funds |
| Revenue | -- | -- | (\$15,000,000) | (\$15,000,000) |
| Expenditure | \$163,518 | \$163,518 | \$104,067 | \$104,067 |
| FTE Pos. | -- | 2.00 | -- | 2.00 |

The Department of Revenue estimates that HB 2372 would decrease State General Fund revenues by \$15.0 million in FY 2019. The fiscal effect to state revenues during subsequent years would be as follows:

| | <u>FY 2020</u> | <u>FY 2021</u> | <u>FY 2022</u> |
|--------------------|----------------|----------------|----------------|
| State General Fund | (\$15,000,000) | (\$15,000,000) | (\$15,000,000) |

To formulate these estimates, the Department of Revenue reviewed data on the Homestead Property Tax Refund. The Department indicates that the Homestead Property Tax Refund was last available to renters in tax year 2012 and estimates that taxpayers would claim \$15.0 million in additional Homestead Property Tax Refunds in each year beginning in tax year 2018 or FY 2019.

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The Department indicates that the bill would require \$163,518 from the State General Fund in FY 2018 to implement the bill and to modify the automated tax system. The bill would require the Department to hire 2.00 new Customer Service Representatives to review and process Homestead Property Tax Refund claims from renters. The Department estimates that ongoing expenses for salary and wages for the 2.00 FTE positions and overhead expenses would total \$104,067 from the State General Fund in FY 2019. 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, 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 debts setoffs that will be intercepted as a result of the bill. Any fiscal effect associated with HB 2372 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Colleen Becker, Department of Administration