

March 19, 2019

REVISED

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

Dear Representative Johnson:

SUBJECT: Revised Fiscal Note for HB 2114 by House Committee on Agriculture

In accordance with KSA 75-3715a, the following revised fiscal note concerning HB 2114 is respectfully submitted to your committee.

HB 2114 would allow a county commission the option of imposing a severance tax on limestone production beginning on January 1, 2020. The limestone severance tax would be at a rate of \$1 per ton of limestone severed from the earth and would be paid monthly by the producer to the Department of Revenue. The bill includes tax payment, reporting, and monitoring procedures for the new tax and would allow the Department of Revenue to review and audit limestone severance tax returns. The bill creates the Limestone Severance Fund and authorizes quarterly transfers of the limestone severance tax receipts to the county general fund of the county where the limestone was severed. The Department of Revenue would have the authority to adopt rules and regulations to implement the bill.

The Department of Revenue estimates that HB 2114 has the potential to increase county general fund revenues by approximately \$21.3 million if all counties with limestone production opt in to impose the severance tax on limestone production. To formulate these estimates, the Department of Revenue reviewed data on limestone production from the Department of Agriculture. Data shows that Kansas companies and counties produced 21,340,961 tons of limestone in 2018. According to the Kansas Department of Transportation (KDOT), quarries from 44 counties have provided limestone to KDOT in the past.

The Department of Revenue indicates that it would require a total \$1,582,154 from the State General Fund in FY 2020 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 and outside contract programmer services. 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. Since the original fiscal note was issued, the Department of Revenue lowered its estimate on administrative costs needed to implement the bill.

The Kansas Association of Counties indicates that the bill would provide an increase in county general fund revenues for counties that chose to impose the new tax, which would be used in part to finance county governments. Any fiscal effect associated with HB 2114 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink that reads "L. L. Campbell". The signature is fluid and cursive, with the first and last letters of the first and last names being capitalized and prominent.

Larry L. Campbell
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Jay Hall, Association of Counties