

March 22, 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 2250 by Representative Hodge

In accordance with KSA 75-3715a, the following revised fiscal note concerning HB 2250 is respectfully submitted to your committee.

HB 2250 would provide a new refundable income tax credit of \$200 for each qualifying child of the taxpayer beginning in tax year 2019. The bill includes the definition for a qualifying child. The bill requires any taxpayer claiming the credit to provide a valid Social Security number. The Department of Revenue would have the authority to adopt rules and regulations to implement the bill.

Estimated State Fiscal Effect				
	FY 2019 SGF	FY 2019 All Funds	FY 2020 SGF	FY 2020 All Funds
Revenue	--	--	(\$59,800,000)	(\$59,800,000)
Expenditure	--	--	\$436,100	\$436,100
FTE Pos.	--	--	--	3.00

The Department of Revenue estimates that HB 2250 would decrease State General Fund revenues by \$59.8 million in FY 2020. The fiscal effect in subsequent years is estimated to decrease slightly, as the amount of under 18 years of age population is expected to decrease in the future. To formulate this estimate, the Department reviewed Internal Revenue Service data on the federal Child Tax Credit. The Department reported that Kansas taxpayers claimed \$299.3 million in federal Child Tax Credits in tax year 2016. The Department estimates that Kansas taxpayers would claim \$59.8 million in state tax credits in tax year 2019 or FY 2020 based on approximately 299,000 qualifying children.

The Department of Revenue indicates that it would require a total \$436,100 from the State General Fund in FY 2020 to implement the bill and to modify the automated tax system. The bill would require the Department to hire at least 3.00 new Customer Service Representative FTE positions to review, process, and audit this new tax credit program. 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 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 debt setoffs that will be intercepted as a result of the bill. Any fiscal effect associated with HB 2250 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Campbell", written in a cursive style.

Larry L. Campbell
Director of the Budget

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