

January 22, 2020

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

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2442 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2442 is respectfully submitted to your committee.

Under current law, the Department of Revenue is required to include a line on all individual income tax returns for the payment of compensating use taxes, and include instructions on the tax forms that provide an explanation of an individual's obligation to pay use tax on items purchased from sellers that do not collect Kansas compensating use and retail sales taxes. HB 2442 would remove this line on the individual income tax form and remove this item from the instructions beginning in tax year 2020 as a result of the Department of Revenue's Notice 19-04 that requires remote sellers doing business in Kansas to collect and remit applicable sales and use taxes. The bill would also remove the method to calculate the amount of use tax that is owed.

The Department of Revenue reports that for tax year 2018, the total amount of use tax reported on K40 tax returns was \$1,297,174. Of that amount, \$830,160 was deposited in the State General Fund, \$159,940 was deposited in the State Highway Fund, and \$307,074 was passed to local governments. Although the Department of Revenue's Notice 19-04 requires remote sellers doing business in Kansas to collect and remit applicable sales and use taxes, enactment of HB 2442 has the potential to reduce use tax collections from individual taxpayers because the opportunity to remit would not be there.

The Department indicates that the bill would require \$64,511 from the State General Fund in FY 2021 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. 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. Any fiscal effect associated with HB 2442 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. L. Campbell". The signature is written in a cursive style with a large initial "L" and a distinct "C".

Larry L. Campbell
Director of the Budget

cc: Lynn Robinson, Department of Revenue