

February 12, 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 2567 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2567 is respectfully submitted to your committee.

Under current law, taxpayers filing as single, head of household, married filing separate, or married filing jointly are allowed to subtract the full amount of Social Security benefits from federal adjusted gross income for Kansas income tax purposes, if the taxpayer has income of \$75,000 or less. HB 2567 would reduce the subtraction modification of Social Security benefits from federal adjusted gross income by 10.0 percent for each \$1,000 above the \$75,000 threshold for all taxpayers beginning in tax year 2021. This will allow taxpayers with income of \$75,000 up to \$84,000 to subtract a portion of Social Security benefits from federal adjusted gross income.

Estimated State Fiscal Effect				
	FY 2020 SGF	FY 2020 All Funds	FY 2021 SGF	FY 2021 All Funds
Revenue	--	--	(\$1,800,000)	(\$1,800,000)
Expenditure	--	--	\$76,460	\$76,460
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2567 would decrease State General Fund revenues by \$1.8 million in FY 2021, \$6.1 million in FY 2022, and \$6.3 million in FY 2023. To formulate these estimates, the Department reviewed data on Social Security benefits from tax year 2018. The Department indicated that there were approximately 13,000 taxpayers receiving Social Security benefits with federal adjusted gross income of \$75,000.01 up to \$84,000. The Department adjusted the amount of Social Security benefits to account for cost of living adjustments that have occurred since tax year 2018 and used an average growth rate of 2.0 percent for future years. The

Department created a simulated tax table for all taxpayers that receive Social Security benefits that shows that State General Fund revenues would decrease by \$1.8 million in FY 2021 as a result of this bill. The individual income tax estimate for FY 2021 includes 30.0 percent of tax year 2021 tax liability. The individual income tax estimate for FY 2022 includes 70.0 percent of tax year 2021 tax liability and 30.0 percent of tax year 2022 tax liability. The Department estimates that the number of tax returns grows approximately 1.0 percent each year.

The Department indicates that the bill would require \$76,460 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.

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 a precise estimate of the amount of debts setoffs that will be intercepted as a result of the bill. Any fiscal effect associated with HB 2567 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink that reads "L. L. Campbell". The signature is written in a cursive style with a large, sweeping initial "L".

Larry L. Campbell  
Director of the Budget

cc: Lynn Robinson, Department of Revenue  
Jeff Scannell, Department of Administration