

April 26, 2019

The Honorable Robert Olson, Chairperson
Senate Committee on Financial Institutions and Insurance
Statehouse, Room 236-E
Topeka, Kansas 66612

Dear Senator Olson:

SUBJECT: Fiscal Note for SB 238 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 238 is respectfully submitted to your committee.

SB 238 would allow national banking associations, state banks, trust companies, and savings and loan associations to deduct the interest received from business loans from its taxable income beginning on January 1, 2020.

The Department of Revenue indicates that it would require a total of \$147,745 from the State General Fund in FY 2020 to implement the bill and modify the automated tax system. The required programming for this bill would be performed by existing staff of the Department of Revenue and outside contract programmer services. In addition, the Department notes that 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 also indicates that interest income is one of the largest revenue sources for financial institutions and an interest income deduction would result in a decrease in taxable income and State General Fund privilege tax collections beginning in FY 2020. The Department notes that privilege tax collections totaled \$45.5 million in FY 2018. However, the overall reduction in tax collections could not be estimated due to a lack of data on interest income from business loans.

The Office of the State Bank Commissioner, the Department of Credit Unions, and the Kansas Corporation Commission indicate that the enactment of the bill would have no fiscal effect

on the agencies. Any fiscal effect associated with SB 238 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. L. Campbell". The signature is fluid and cursive, with a large initial "L" and a long, sweeping underline.

Larry L. Campbell
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Tim Kemp, Banking
Jake Fisher, KCC
Jerel Wright, Credit Unions