

May 3, 2013

The Honorable Richard Carlson, Chairperson
House Committee on Taxation
Statehouse, Room 285-N
Topeka, Kansas 66612

Dear Representative Carlson:

SUBJECT: Fiscal Note for HB 2410 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2410 is respectfully submitted to your committee.

HB 2410 would amend the definitions of alternative fuel and renewable fuel that are used for the alternative fuel tax credit. The new definitions would allow vehicles powered by natural gas or electricity to qualify for the alternative fuel tax credit.

Estimated State Fiscal Effect				
	FY 2013 SGF	FY 2013 All Funds	FY 2014 SGF	FY 2014 All Funds
Revenue	--	--	(\$225,000)	(\$225,000)
Expenditure	--	--	\$13,200	\$13,200
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2410 would decrease State General Fund revenues by \$225,000 in FY 2014. The decrease in revenues and how the April 19, 2013 consensus revenue estimate for FY 2014 would be affected are shown in the following table:

Effect on FY 2014 Consensus Revenue Estimates
(Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (April 19, 2013)	Change in Revenue FY 2014	Proposed Adjusted CRE FY 2014
Motor Carrier	\$ 41,000	\$ --	\$ 41,000
Income Taxes:			
Individual	2,400,000	--	2,400,000
Corporate	370,000	(225)	369,775
Financial Institutions	31,000	--	31,000

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May 3, 2013

Page 2—HB 2410

Excise Taxes:

Retail Sales	1,920,000	--	1,920,000
Compensating Use	295,000	--	295,000
Cigarette	90,000	--	90,000
Corporate Franchise	6,000	--	6,000
Severance	132,800	--	132,800
All Other Excise Taxes	100,000	--	100,000
Other Taxes	<u>162,000</u>	<u>--</u>	<u>162,000</u>
Total Taxes	\$5,547,800	(\$ 225)	\$5,547,575

Other Revenues:

Interest	\$ 10,400	\$ --	\$ 10,400
Transfers	(159,930)	--	(159,930)
Agency Earnings	<u>56,000</u>	<u>--</u>	<u>56,000</u>
Total Other Revenues	(\$ 93,530)	\$ --	(\$ 93,530)
Total Receipts	\$5,454,270	(\$ 225)	\$5,454,245

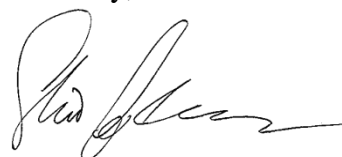
The fiscal effect to state revenues during subsequent years would be as follows:

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
State General Fund	(\$225,000)	(\$225,000)	(\$225,000)	(\$225,000)

To formulate these estimates, the Department of Revenue reviewed data on the alternative fuel tax credit. The Department estimates that approximately 300 vehicles powered by natural gas or electricity would be able to qualify for the alternative fuel tax credit under the new definitions of alternative and renewable fuels. With the maximum tax credit allowed of \$750 per vehicle, corporate income tax receipts would be reduced by an estimated \$225,000 in FY 2014 and in each future fiscal year.

The Department of Revenue indicates that it would require \$13,200 from the State General Fund in FY 2014 to implement the bill for the costs associated with updating forms and instructions and to modify the automated tax system. The required programming for this bill by itself (440 hours of in-house programming and implementation) would be performed by existing staff of the Department of Revenue. However, 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, expenditures for outside contract programmer services beyond the Department's current budget may be required. Any fiscal effect associated with HB 2410 is not reflected in *The FY 2014 Governor's Budget Report*.

Sincerely,



Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Steve Neske, Revenue
Ben Cleaves, KDOT

Tom Day, KCC