

January 28, 2010

The Honorable Richard Carlson, Chairperson
House Committee on Taxation
Statehouse, Room 274-W
Topeka, Kansas 66612

Dear Representative Carlson:

SUBJECT: Fiscal Note for HB 2431 by House Committee on Vision 2020

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2431 is respectfully submitted to your committee.

HB 2431 would create the Land Preservation Partner Program within the State Conservation Commission (SCC) and establish the Land Preservation Partner Program Fund which would allow for income tax credits. There would be three levels of eligibility based on the voluntary contributions by taxpayers to the program. For Level 1, taxpayers would contribute an amount equal to at least 50.0 percent of that year's property tax on all real property owned by the taxpayer; Level 2 taxpayers would contribute 25.0 percent of that year's property tax. For Level 3, taxpayers would be designated as a carbon sequestration partner if they would contribute 10.0 percent of the total annual energy expenditures, as calculated by a formula developed by the State Conservation Commission. The bill defines taxpayer to include individuals, entities or businesses. The bill would also allow the tax credits to be used by insurance companies.

Estimated State Fiscal Effect				
	FY 2010 SGF	FY 2010 All Funds	FY 2011 SGF	FY 2011 All Funds
Revenue	--	--	(\$100,000)	(\$100,000)
Expenditure	--	--	\$300,252	\$300,252
FTE Pos.	--	--	--	1.00

The Department of Revenue estimates that HB 2431 would decrease state revenues by \$100,000 in FY 2011 and by the same amount in subsequent years. Of that total, the entire decrease would be attributable to the State General Fund. The decrease in revenues and how the

November 5, 2009 consensus revenue estimate for FY 2011 would be affected are shown in the following table:

Effect on FY 2011 Consensus Revenue Estimates
(Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (Nov. 5, 2009)	Change in Revenue FY 2011	Proposed Adjusted CRE FY 2011
Motor Carrier	\$ 24,000	\$ --	\$ 24,000
Income Taxes:			
Individual	2,610,000	(100)	2,609,900
Corporate	245,000	--	245,000
Financial Institutions	25,000	--	25,000
Estate	5,000	--	5,000
Excise Taxes:			
Retail Sales	1,710,000	--	1,710,000
Compensating Use	250,000	--	250,000
Cigarette	100,000	--	100,000
Corporate Franchise	15,000	--	15,000
Severance	118,800	--	118,800
All Other Excise Taxes	96,200	--	96,200
Other Taxes	<u>125,000</u>	<u>--</u>	<u>125,000</u>
Total Taxes	\$5,324,000	\$ --	\$5,224,000
Other Revenues:			
Interest	\$ 22,000	\$ --	\$ 22,000
Transfers	(223,700)	--	(223,700)
Agency Earnings	<u>56,200</u>	<u>--</u>	<u>56,200</u>
Total Other Revenues	(\$ 145,500)	\$ --	(\$ 145,500)
Total Receipts	\$5,178,500	\$ (\$100)	\$5,078,400

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

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
State General Fund	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)

To formulate these estimates, the Department of Revenue reviewed data on contributions for tax credits, and assumed that a total of \$1.0 million would be contributed to the new fund.

This bill would require modifications to the automated tax system. The required programming for this bill by itself could not be performed by existing staff of the Department of Revenue. Implementation of the bill would require 2,656 hours in contract programming at \$90

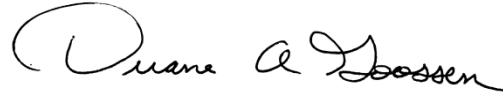
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per hour at a cost of \$239,040, \$5,750 for operating expenditures, and salaries and wages costs of \$55,462 for 1.0 Specialist FTE position. Any fiscal effect associated with HB 2431 is not reflected in *The FY 2011 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink that reads "Duane A. Goossen". The signature is written in a cursive style with a large initial "D".

Duane A. Goossen
Director of the Budget

cc: Max Foster, SCC
Steve Neske, Revenue
John Campbell, Insurance Dept.