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Laura Kelly, Governor

February 4, 2021

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

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2141 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2141 is respectfully submitted to your committee.

HB 2141 would increase the standard deduction for single individual taxpayers from $3,000 to $4,000, married filing status from $7,500 to $8,000, and head of household from $5,500 to $6,000 beginning in tax year 2021. The bill also removes outdated standard deduction language from previous tax years.

Estimated State Fiscal Effect				
	FY 2021 SGF	FY 2021 All Funds	FY 2022 SGF	FY 2022 All Funds
Revenue	--	--	($47,500,000)	($47,500,000)
Expenditure	--	--	$17,095	$17,095
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2141 would decrease State General Fund revenues by $47.5 million in FY 2022. The fiscal effect to state revenues during subsequent years would be as follows:

	FY 2023	FY 2024
State General Fund	($36,900,000)	($37,300,000)

To formulate these estimates, the Department of Revenue simulated this tax policy change based on actual tax return data from tax year 2019. The estimate for FY 2022 includes 100.0 percent of tax year 2021 tax liability and 30.0 percent of tax year 2022 tax liability. The estimate for FY 2023 includes 70.0 percent of tax year 2022 tax liability and 30.0 percent of tax year 2023 tax liability. The Department of Revenue indicates that State General Fund estimates for FY 2022 are based on the November 2020 Consensus Revenue Estimate. The Department estimates that the number of tax returns would increase by 1.0 percent each year.

The Department indicates that the bill would require $17,095 from the State General Fund in FY 2022 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 an estimate of the amount of additional debts setoffs that will be intercepted as a result of the bill. Any fiscal effect associated with HB 2141 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,

Adam Proffitt
Director of the Budget

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