

# KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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TO: Legislative Budget Committee

## **STATE GENERAL FUND (SGF) RECEIPTS** July through August, FY 2018

For the first four months of FY 2018, estimates of State General Fund (SGF) receipts are based upon the consensus estimates of April 20, 2017, as adjusted for legislation enacted after that date. As this is the second monthly report on FY 2018 receipts, it is important to remember that a comparison of two months of receipts is not a reliable basis upon which to identify a trend for the balance of the year. The next meeting of the Consensus Revenue Estimating Group will be in early November.

Total receipts for July and August, the first two months of FY 2018, were \$30.1 million, or 3.1 percent, above the estimate. The component of total SGF receipts from taxes only was \$15.8 million, or 1.8 percent, above the estimate.

Tax sources exceeding the fiscal year estimate by more than \$1.0 million through August were: retail sales tax (\$12.7 million or 3.3 percent); corporation tax (\$9.9 million or 65.7 percent); and compensating use tax (\$1.2 million or 1.9 percent).

Tax sources below the estimates by more than \$1.0 million through August were: individual income tax (\$5.8 million or 1.5 percent); and insurance premiums tax (\$1.7 million or 21.0 percent).

Sales tax receipts, which were \$5.5 million above the July estimate, gained an additional \$7.2 million in August and are now \$12.7 million above the fiscal-year-to-date forecast.

Corporation income tax receipts also had a stronger than expected month and finished \$9.9 million above the estimate through August. The Department of Revenue notes corporate estimated payments have remained strong in FY 2018 and that refunds have been less than anticipated.

Individual income taxes, which had been up \$3.5 million in July, are now \$5.9 million below the cumulative estimate. Collections in August included receipts from many—but not all—employers incorporating additional taxes attributable to new withholding tables promulgated by the Department of Revenue earlier this summer. As explained last month and in the special note\* below, forecasting the timing of individual income tax receipts throughout FY 2018 will continue to be difficult.

The transfer and receipts amount is \$11.1 million, or 15.4 percent, over the estimate due to a lower than anticipated School District Capital Improvement Fund transfer. Agency earnings

exceeded the FY 2018 estimate by \$0.8 million, or 16.4 percent. Interest earnings exceeded the FY 2018 estimate by \$2.4 million due to higher than anticipated pooled money investment portfolio balances and a higher return on investments.

Total SGF receipts through August of FY 2018 are \$185.7 million, or 22.7 percent, above FY 2017 for the same period. Tax receipts only for the same period were above FY 2017 by \$61.4 million, or 7.2 percent.

This report excludes the July 1 deposit to the SGF of \$900.0 million pursuant to issuance of a Certificate of Indebtedness. The Certificate will be discharged prior to the end of the fiscal year.

### **\*FY 2018 Individual Income Tax Receipts**

**The fiscal note provided by the Department of Revenue estimates that new income tax law provisions from SB 30 will combine to produce an additional \$591.0 million in receipts by the end of FY 2018 (beyond the amount that would have been collected had that legislation not been enacted).**

**Because of the timing of various provisions of the new law, an even greater percentage of individual income tax receipts is likely to be received during the latter months of the fiscal year than normal. Special language in the new law provides that taxpayers will not be assessed any penalties or interest relative to underpayments associated with the restoration of tax to non-wage business income or with changes in rates, provided the underpayments have been rectified by April 17, 2018.**

**Drawing meaningful conclusions about the accuracy of the overall income tax estimate during much of the fiscal year therefore will not be possible, especially during the summer and fall months. The Research Department and the Consensus Estimating Group will continue working with the Department of Revenue to monitor receipts and the impact of the new law prior to the revision of revenue estimates in early November and again in mid April. Any final determination as to the accuracy of the \$591.0 million estimate obviously will not be available until after the conclusion of FY 2018 on June 30, 2018.**

STATE GENERAL FUND RECEIPTS  
July-August, FY 2018  
(dollar amounts in thousands)

	Actual FY 2017	FY 2018			Percent change relative to:	
		Estimate*	Actual	Difference	FY 2017	Estimate
<b>Property Tax/Fee:</b>						
Motor Carriers	\$ 1,287	\$ 1,400	\$ 1,481	\$ 81	15.1 %	5.8 %
<b>Income Taxes:</b>						
Individual	\$ 345,874	\$ 390,000	\$ 384,162	\$ (5,838)	11.1 %	(1.5) %
Corporation	9,448	15,000	24,858	9,858	--	65.7
Financial Inst.	147	1,000	790	(210)	--	(21.0)
Total	\$ 355,469	\$ 406,000	\$ 409,810	\$ 3,810	15.3 %	0.9 %
<b>Excise Taxes:</b>						
Retail Sales	\$ 385,086	\$ 388,000	\$ 400,704	\$ 12,704	4.1 %	3.3 %
Comp. Use	63,084	64,000	65,199	1,199	3.4	1.9
Cigarette	25,099	23,000	22,544	(456)	(10.2)	(2.0)
Tobacco Prod.	1,398	1,500	1,420	(80)	1.6	(5.3)
Cereal Malt Bev.	338	290	282	(8)	(16.6)	(2.8)
Liquor Gallonage	3,162	3,600	3,563	(37)	12.7	(1.0)
Liquor Enforce.	12,253	12,100	12,651	551	3.2	4.6
Liquor Drink	1,808	1,800	1,924	124	6.4	6.9
Corp. Franchise	1,167	950	806	(144)	(30.9)	(15.2)
Severance	6,843	3,250	2,889	(361)	(57.8)	(11.1)
Gas	1,261	800	833	33	(33.9)	4.1
Oil	5,582	2,450	2,056	(394)	(63.2)	(16.1)
Total	\$ 500,238	\$ 498,490	\$ 511,982	\$ 13,492	2.3 %	2.7 %
<b>Other Taxes:</b>						
Insurance Prem.	\$ (4,769)	\$ (8,000)	\$ (9,677)	\$ (1,677)	(102.9) %	(21.0) %
Miscellaneous	221	220	281	61	27.1	27.7
Total	\$ (4,548)	\$ (7,780)	\$ (9,396)	\$ (1,616)	(106.6) %	(20.8) %
<b>Total Taxes</b>	<b>\$ 852,446</b>	<b>\$ 898,110</b>	<b>\$ 913,877</b>	<b>\$ 15,767</b>	<b>7.2 %</b>	<b>1.8 %</b>
<b>Other Revenue and Receipts:</b>						
Interest	\$ 7,770	\$ 100	\$ 2,513	\$ 2,413	(67.7) %	-- %
Transfers (net) and Receipts	(51,944)	72,000	83,074	11,074	259.9	15.4
Agency Earnings and Miscellaneous	11,181	4,900	5,704	804	(49.0)	16.4
Total	\$ (32,993)	\$ 77,000	\$ 91,291	\$ 14,291	376.7 %	18.6 %
<b>TOTAL RECEIPTS</b>	<b>\$ 819,453</b>	<b>\$ 975,110</b>	<b>\$ 1,005,168</b>	<b>\$ 30,058</b>	<b>22.7 %</b>	<b>3.1 %</b>

Consensus estimate as of April 20, 2017, as further adjusted for subsequent legislation enacted after that date.

Excludes a Certificate of Indebtedness of \$900 million that must be redeemed prior to the end of the fiscal year.

NOTE: Details may not add to totals due to rounding.