

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

68-West-Statehouse, 300 SW 10th Ave.
Topeka, Kansas 66612-1504
(785) 296-3181 • FAX (785) 296-3824

kslegres@klrd.ks.gov

<http://www.kslegislature.org/klrd>

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To: Legislative Budget Committee

STATE GENERAL FUND (SGF) RECEIPTS July through September, 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 by the 2017 Legislature. The Consensus Group will be meeting on November 2 to revise the forecast for both FY 2018 and FY 2019.

Total receipts for July through September, the first three months of FY 2017, were \$85.2 million, or 5.6 percent, above the estimate. The component of total SGF receipts from taxes only was \$73.1 million, or 5.1 percent, above the estimate.

The tax source exceeding the estimate by more than \$1.0 million through September were individual income (\$29.7 million or 4.7 percent); corporation income (\$21.1 million or 30.1 percent); retail sales (\$20.9 million or 3.6 percent); and compensating use (\$3.1 million or 3.3 percent).

Only one tax source was below the estimate by more than \$1.0 million: insurance premiums tax (\$3.3 million, 51.0 percent).

Estimated payments and withholding both saw growth in September. The extent to which some of this growth may be offset by smaller balance due remittances or larger refunds next spring—when taxpayers file and reconcile their final tax year 2017 liability—remains to be determined. The Department of Revenue has no new information at this time suggesting that the fiscal note associated with various income tax law changes should be adjusted. (Please see the special note* below.)

Corporation income tax receipts, which finished FY 2017 almost \$55.0 million above the final estimate for that year, have continued to gain ground this fiscal year relative to the expectations set in April and are now \$21.1 million above the estimate through September. The Department of Revenue reports strong corporate estimated payments thus far in FY 2018, as well as smaller refunds than had been anticipated.

Sales tax receipts, which were \$12.7 million above the August estimate, also continued to gain ground relative to the current forecast (an additional \$8.2 million in September) and are now \$20.9 million above the fiscal-year-to-date forecast. Collections from this source thus far in FY 2018 have grown 4.0 percent above the FY 2017 level.

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-September, FY 2018
(dollar amounts in thousands)

	Actual FY 2017	FY 2018			Percent change relative to:	
		Estimate*	Actual	Difference	FY 2017	Estimate
Property Tax/Fee:						
Motor Carriers	\$ 1,871	\$ 2,000	\$ 2,061	\$ 61	10.2 %	3.1 %
Income Taxes:						
Individual	\$ 551,682	\$ 625,000	\$ 654,671	\$ 29,671	18.7 %	4.7 %
Corporation	71,899	70,000	91,096	21,096	26.7	30.1
Financial Inst.	9,730	10,600	10,651	51	9.5	0.5
Total	\$ 633,311	\$ 705,600	\$ 756,418	\$ 50,818	19.4 %	7.2 %
Excise Taxes:						
Retail Sales	\$ 575,676	\$ 578,000	\$ 598,890	\$ 20,890	4.0 %	3.6 %
Comp. Use	93,654	95,000	98,090	3,090	4.7	3.3
Cigarette	33,943	32,500	33,051	551	(2.6)	1.7
Tobacco Prod.	2,198	2,250	2,246	(4)	2.2	(0.2)
Cereal Malt Bev.	479	420	420	0	(12.3)	0.0
Liquor Gallonage	4,885	5,200	5,418	218	10.9	4.2
Liquor Enforce.	17,893	17,800	18,764	964	4.9	5.4
Liquor Drink	2,731	2,700	2,827	127	3.5	4.7
Corp. Franchise	1,317	1,100	923	(177)	(29.9)	(16.1)
Severance	10,197	6,850	6,563	(287)	(35.6)	(4.2)
Gas	2,143	2,000	2,112	112	(1.4)	5.6
Oil	8,054	4,850	4,451	(399)	(44.7)	(8.2)
Total	\$ 742,973	\$ 741,820	\$ 767,192	\$ 25,372	3.3 %	3.4 %
Other Taxes:						
Insurance Prem.	\$ (4,838)	\$ (6,400)	\$ (9,666)	\$ (3,266)	(99.8) %	(51.0) %
Miscellaneous	317	350	453	103	42.9	29.4
Total	\$ (4,521)	\$ (6,050)	\$ (9,213)	\$ (3,163)	(103.8) %	(52.3) %
Total Taxes	\$ 1,373,634	\$ 1,443,370	\$ 1,516,458	\$ 73,088	10.4 %	5.1 %
Other Revenue and Receipts:						
Interest	\$ 9,095	\$ 150	\$ 4,432	\$ 4,282	(51.3) %	-- %
Transfers (net) and Receipts:	(64,226)	59,230	65,967	6,737	202.7	11.4
Agency Earnings and Misc.	14,985	7,100	8,150	1,050	(45.6)	14.8
Total	\$ (40,146)	\$ 66,480	\$ 78,549	\$ 12,069	295.7 %	18.2 %
TOTAL RECEIPTS	\$ 1,333,488	\$ 1,509,850	\$ 1,595,007	\$ 85,157	19.6 %	5.6 %

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.