

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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To: Legislative Budget Committee

STATE GENERAL FUND (SGF) RECEIPTS July through October, FY 2018

This is the final report on SGF receipts based on the consensus estimates of April 20, 2017, as subsequently adjusted for legislation. The Consensus Estimating Group will meet on November 2, 2017, to revise the estimates for FY 2018 and FY 2019. The November monthly report (July through November, FY 2018) will be based on the November 2 revised estimates.

Total SGF receipts for July through October were \$114.6 million, or 5.5 percent, above the estimate. The component of SGF receipts from taxes only was \$105.0 million, or 5.5 percent, above the estimate.

Tax sources exceeding the estimate by more than \$1.0 million included individual income tax (\$49.1 million or 5.9 percent); retail sales tax (\$27.1 million or 3.5 percent); corporation income tax (\$25.7 million or 31.3 percent); compensating use tax (\$5.1 million or 4.0 percent); and liquor enforcement tax (\$1.0 million or 4.3 percent).

Only one tax source fell below the estimate by more than \$1.0 million: insurance premiums tax (\$2.7 million or 42.3 percent).

Individual income taxes, which had been \$29.7 million ahead of the estimate through September, exceeded October's monthly forecast by \$19.4 million (bringing the cumulative fiscal-year-to-date comparison to the positive \$49.1 million figure noted above). (Please see special note* below.)

Corporation income tax receipts, which had been \$21.1 million ahead of the estimate through September, exceeded October's monthly forecast by \$4.6 million above the monthly estimate and are now ahead by \$25.7 million through the first four months of the fiscal year.

Retail sales tax receipts which were ahead of the estimates by \$20.9 million through September, gained an additional \$7.0 million through October, and are now ahead for the fiscal year by a cumulative \$27.1 million above the estimate.

Interest earnings were above the estimate by \$5.6 million. Agency earnings and miscellaneous were above the estimate by \$0.8 million, or 3.9 percent. Net receipts from transfers were \$3.4 million more than the estimate.

Total SGF receipts through October of FY 2018 were \$316.9 million, or 17.0 percent, above FY 2017 for the same period. Tax receipts only for the same period were above FY 2017 by \$196.5 million, or 10.8 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-October, 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 | \$ 2,638 | \$ 2,800 | \$ 2,774 | \$ (26) | 5.2 % | (0.9) % |
| Income Taxes: | | | | | | |
| Individual | \$ 741,060 | \$ 835,000 | \$ 884,088 | \$ 49,088 | 19.3 % | 5.9 % |
| Corporation | 84,006 | 82,000 | 107,679 | 25,679 | 28.2 | 31.3 |
| Financial Inst. | 10,049 | 11,000 | 11,110 | 110 | 10.6 | 1.0 |
| Total | \$ 835,115 | \$ 928,000 | \$ 1,002,877 | \$ 74,877 | 20.1 % | 8.1 % |
| Excise Taxes: | | | | | | |
| Retail Sales | \$ 762,970 | \$ 766,000 | \$ 793,080 | \$ 27,080 | 3.9 % | 3.5 % |
| Comp. Use | 126,183 | 127,000 | 132,126 | 5,126 | 4.7 | 4.0 |
| Cigarette | 46,618 | 45,000 | 44,175 | (825) | (5.2) | (1.8) |
| Tobacco Prod. | 2,934 | 3,000 | 2,949 | (51) | 0.5 | (1.7) |
| Cereal Malt Bev. | 607 | 550 | 538 | (12) | (11.4) | (2.2) |
| Liquor Gallonage | 6,613 | 6,900 | 6,974 | 74 | 5.5 | 1.1 |
| Liquor Enforce. | 23,790 | 23,800 | 24,819 | 1,019 | 4.3 | 4.3 |
| Liquor Drink | 3,630 | 3,650 | 3,816 | 166 | 5.1 | 4.5 |
| Corp. Franchise | 1,443 | 1,250 | 1,133 | (117) | (21.5) | (9.4) |
| Severance | 12,814 | 10,450 | 10,498 | 48 | (18.1) | 0.5 |
| Gas | 2,800 | 3,200 | 3,441 | 241 | 22.9 | 7.5 |
| Oil | 10,014 | 7,250 | 7,057 | (193) | (29.5) | (2.7) |
| Total | \$ 987,604 | \$ 987,600 | \$ 1,020,108 | \$ 32,508 | 3.3 % | 3.3 % |
| Other Taxes: | | | | | | |
| Insurance Prem. | \$ (5,110) | \$ (6,500) | \$ (9,249) | \$ (2,749) | (81.0) % | (42.3) % |
| Miscellaneous | 407 | 480 | 663 | 183 | 62.9 | 38.1 |
| Total | \$ (4,703) | \$ (6,020) | \$ (8,586) | \$ (2,566) | (82.6) % | (42.6) % |
| Total Taxes | \$ 1,820,655 | \$ 1,912,380 | \$ 2,017,173 | \$ 104,793 | 10.8 % | 5.5 % |
| Other Revenue and Receipts: | | | | | | |
| Interest | \$ 10,788 | \$ 200 | \$ 5,780 | \$ 5,580 | (46.4) % | -- % |
| Transfers (net) and Receipts | 3,267 | 132,430 | 135,828 | 3,398 | -- | 2.6 |
| Agency Earnings and Misc. | 29,799 | 21,800 | 22,640 | 840 | (24.0) | 3.9 |
| Total | \$ 43,855 | \$ 154,430 | \$ 164,248 | \$ 9,818 | 274.5 % | 6.4 % |
| TOTAL RECEIPTS | \$ 1,864,510 | \$ 2,066,810 | \$ 2,181,421 | \$ 114,611 | 17.0 % | 5.5 % |

*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.