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To: Legislative Budget Committee

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

This is the second monthly report based on the revised estimate of SGF receipts in FY 2018 made by the Consensus Estimating Group on November 2, 2017. The figures in both the "Estimate" and "Actual" columns under FY 2018 on the following table include actual amounts received in July-October. Thus, the report essentially deals with the difference between the estimated and actual receipts in November and December.

Total receipts through December of FY 2018 were \$83.0 million, or 2.5 percent, above the estimate. The component of SGF receipts from taxes only was \$83.6 million, or 2.7 percent, above the estimate. Total receipts through November of FY 2018 had been \$7.9 million, or 0.3 percent, above the estimate and taxes only were \$8.5 million, or 0.1 percent, above the estimate.

The timing and processing of receipts can affect comparisons of the estimate with actual receipts over a short period of time. In addition, receipts through the end of January may include additional sales tax receipts on Christmas business and additional individual income tax estimated payments due in January 2018.

Tax sources that exceeded the estimate by more than \$1.0 million were: individual income tax (\$87.1 million or 6.5 percent); and insurance premiums (\$1.1 million or 1.6 percent).

The majority of the increase above the individual income estimates is attributable to estimated tax payments (approximately \$60.0 million) likely due to tax planning strategies intended to reduce tax year 2018 federal tax liability subsequent to changes in federal tax law. A high level of pre-payments made for such reasons will reduce balance due remittances and may increase refunds in subsequent months. The Department of Revenue is seeking information from other states confirming that a similar pattern of accelerated estimated payments may have occurred during the final days of calendar year 2017.

Moreover, it is important to remember that in the wake of the new state income tax law (see special note* below), assumptions about the timing of Kansas individual income tax receipts during FY 2018 had already been extremely problematic and complicated.

Tax sources that fell below the estimate by more than \$1.0 million were: cigarette tax (\$1.3 million or 2.1 percent); and corporation income (\$4.8 million or 3.1 percent).

Interest earnings were above the estimate by \$1.1 million and net transfers were below the estimate by \$0.3 million. Agency earnings were below the estimated amount by \$1.5 million.

Total SGF receipts through December of FY 2018 were \$482.7 million or 16.8 percent above FY 2017 for the same period. Tax receipts only, for the same period, were above FY 2017 by \$368.5 million or 13.1 percent.

This report excludes a deposit to the SGF which totals \$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 early 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 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-December, 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	\$ 4,589	\$ 5,000	\$ 5,471	\$ 471	19.2 %	9.4 %
Income Taxes:						
Individual	\$ 1,133,173	\$ 1,340,000	\$ 1,427,081	\$ 87,081	25.9 %	6.5 %
Corporation	127,272	153,000	148,196	(4,804)	16.4	(3.1)
Financial Inst.	17,823	18,600	18,896	296	6.0	1.6
Total	\$ 1,278,268	\$ 1,511,600	\$ 1,594,173	\$ 82,573	24.7 %	5.5 %
Excise Taxes:						
Retail Sales	\$ 1,142,228	\$ 1,183,300	\$ 1,184,204	\$ 904	3.7 %	0.1 %
Comp. Use	184,442	198,200	198,781	581	7.8	0.3
Cigarette	66,956	64,800	63,465	(1,335)	(5.2)	(2.1)
Tobacco Prod.	4,371	4,430	4,436	6	1.5	0.1
Cereal Malt Bev.	821	720	750	30	(8.7)	4.2
Liquor Gallonage	9,824	10,520	10,648	128	8.4	1.2
Liquor Enforce.	35,176	36,800	36,072	(728)	2.5	(2.0)
Liquor Drink	5,416	5,620	5,654	34	4.4	0.6
Corp. Franchise	1,631	1,350	1,324	(26)	(18.8)	(1.9)
Severance	20,124	18,160	17,926	(234)	(10.9)	(1.3)
Gas	5,122	5,720	5,739	19	12.0	0.3
Oil	15,002	12,440	12,188	(252)	(18.8)	(2.0)
Total	\$ 1,470,989	\$ 1,523,900	\$ 1,523,259	\$ (641)	3.6 %	(0.0) %
Other Taxes:						
Insurance Prem.	\$ 68,963	\$ 66,750	\$ 67,851	\$ 1,101	(1.6) %	1.6 %
Miscellaneous	616	1,020	1,132	112	83.8	11.0
Total	\$ 69,579	\$ 67,770	\$ 68,983	\$ 1,213	(0.9) %	1.8 %
Total Taxes	\$ 2,823,425	\$ 3,108,270	\$ 3,191,886	\$ 83,616	13.1 %	2.7 %
Other Revenue and Receipts:						
Interest	\$ 13,336	\$ 7,050	\$ 8,181	\$ 1,131	(38.7) %	16.0 %
Transfers (net) and Receipts	3,938	130,700	130,446	(254)	--	(0.2)
Agency Earnings and Misc.	38,806	33,240	31,720	(1,520)	(18.3)	(4.6)
Total	\$ 56,080	\$ 170,990	\$ 170,346	\$ (644)	203.8 %	(0.4) %
TOTAL RECEIPTS	\$ 2,879,505	\$ 3,279,260	\$ 3,362,232	\$ 82,972	16.8 %	2.5 %

Consensus estimate as of November 2, 2017.

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.