



**Kansas Legislative Research Department**

*Providing nonpartisan, objective research and fiscal analysis for the Kansas Legislature since 1934*

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**To:** Legislative Coordinating Council and Governor Laura Kelly

**From:** Kansas Legislative Research Department and Division of the Budget

**Re:** Legislative Adjustments to Consensus Estimates for FY 2021 through FY 2022

Pursuant to KSA 75-6701, the most recent estimates of State General Fund (SGF) receipts for FY 2021 and FY 2022 have been adjusted to reflect the fiscal impact of legislation involving receipts to the SGF enacted during the 2021 Legislative Session subsequent to the Consensus Revenue Estimate (CRE) made on April 20, 2021 (see Table 1).

Estimated receipts for the two fiscal years combined were increased by \$109.5 million relative to the April 20 estimate. Of this amount, a reduction of \$108.1 million is attributable to total taxes, and an increase of \$217.6 million is attributable to other revenues. FY 2021 receipts were increased \$72.4 million, and FY 2022 receipts were increased \$37.1 million.

Tables 2–3 show changes by source for each fiscal year and incorporate those changes into the overall estimate for that year. Table 2 establishes the final estimate for FY 2021 and Table 3 establishes the new baseline estimate for FY 2022 that will be revised again in the fall.

Tables 4–5 provide more specific information on the legislative adjustments by bill and by source for each fiscal year.

A final section of this report discusses the implications for SGF receipts in FY 2023 and subsequent years relative to certain upcoming changes in law.

The Consensus Revenue Estimating Group will meet again prior to December 4 to consider revisions to the newly adjusted FY 2022 estimate and issue the initial estimate for FY 2023.

## **FY 2021**

The following FY 2021 adjustments were made:

- **HB 2143**, which includes a sales tax exemption for the Cerebral Palsy Research Foundation of Kansas, reduces sales tax receipts by \$132,500.
- **HB 2007**, the mega appropriations bill, decreases net transfers out of the SGF by \$86.0 million. Major adjustments include delaying half of the Pooled Money

Investment Board Bridge Loan payment totaling \$66.1 million from FY 2021 to FY 2022, transferring \$17.5 million from the Coronavirus Prevention Fund to the SGF, and transferring \$2.4 million from the State Water Plan Fund to the SGF.

- **SB 159**, the omnibus appropriations bill, reduces net transfers in to the SGF by \$13.5 million. The bill eliminates the \$13.5 million transfer from the Securities Act Fee Fund to the SGF in anticipation of a settlement regarding fee fund transfers.

## FY 2022

The following FY 2022 adjustments were made:

- **HB 2143**, which extends the sunset of an exclusion from sales tax for certain motor vehicle rebates and enacts several sales tax exemptions, reduces sales tax receipts by \$3.9 million.
- **HB 2007**, **HB 2134**, and **SB 159**, the mega, K-12 education, and omnibus appropriations bills, combine to increase net transfers in to the SGF by \$145.2 million. Major positive adjustments include transfers to the SGF of \$81.9 million from the Budget Stabilization Fund, \$66.9 million from the State Highway Fund, \$15.0 million from the Economic Development Initiatives Fund, and \$2.0 million from the State Water Plan Fund. The bill also eliminates statutory transfers of \$13.0 million from the Securities Act Fee Fund and \$54.0 million from the Local *Ad Valorem* Tax Reduction Fund (LAVTRF). The increased SGF revenues were partially offset by the final \$66.1 million payment on the PMIB Bridge Loan.
- **SB 50**, which requires certain marketplace facilitators to collect and remit use tax, increases the Kansas standard deduction and allows taxpayers to itemize on Kansas returns even if claiming the federal standard deduction, and exempts several categories of business income related to 2017 federal tax legislation, reduces individual income tax receipts by \$99.3 million, corporation income tax receipts by \$36.1 million, and financial institutions privilege tax receipts by \$1.3 million, and increases compensating use tax receipts by \$35.5 million.
- **SB 47**, which extends the sunset for the single city port authority tax credit through tax year 2024, creates new tax credits for the Eisenhower Foundation and the Friends of Cedar Crest Association, extends the sunset for the Rural Opportunity Zone (ROZ) program through 2023 and expands the ROZ program to all counties with a population less than 40,000, and reduces individual income tax receipts by \$2.5 million and corporation income tax receipts by \$350,000.
- **HB 2203**, which establishes the Asbestos Remediation Fund and requires the Secretary of Health and Environment to remit certain moneys to the fund, reduces agency earnings to the SGF by \$110,000.

## **FY 2023 and Thereafter**

**Sales and use taxes.** Marketplace facilitators collection and remittance requirements are expected to increase compensating use tax receipts by \$41.7 million in FY 2023 and \$44.1 million in FY 2024. The sales tax exclusion for certain motor vehicle rebates sunsets June 30, 2024. SGF sales tax receipts are expected to increase \$3.8 million as a result of that sunset. HB 2143 also includes adjustments to sales tax filing frequencies that will result in a one time reduction in sales tax receipts of \$7.0 million in FY 2024.

**Income taxes.** The combined impact of provisions related to business income associated with 2017 federal legislation and changes to expensing, standard, and itemized deductions are expected to reduce receipts across income and privilege taxes by a combined \$143.6 million in FY 2023 and \$148.7 million in FY 2024.

**Property tax relief and revenue sharing.** Current law provides for reinstatement of LAVTRF transfers from the SGF beginning in FY 2024 at \$54.0 million annually and of County and City Revenue Sharing Fund transfers at 2.823 percent of sales and use taxes otherwise credited to the SGF in FY 2024.

**Technology-Enabled Fiduciary Financial Institutions.** Senate Sub. for HB 2074 creates an income and privilege tax credit for certain charitable distributions from technology-enabled fiduciary financial institutions. The impact of this provision is unquantified.

**First-Time Home Buyers Savings Accounts.** HB 2187 exempts from Kansas income tax certain contributions to first-time home buyers savings accounts and is expected to reduce SGF receipts by \$3.5 million beginning in FY 2023.

**Table 1**  
**State General Fund Receipts**  
*(Dollars in Thousands)*

	FY 2020 (Actual)		Consensus Estimate June 9, 2021			
			FY 2021 (Revised)		FY 2022 (Revised)	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
<b>Property Tax/Fee:</b>						
Motor Carrier	\$ 12,502	5.5 %	\$ 12,900	3.2 %	\$ 12,900	-- %
<b>Income Taxes:</b>						
Individual	\$ 3,338,185	(11.1) %	\$ 4,084,400	22.4 %	\$ 3,688,630	(9.7) %
Corporation	384,407	(12.1)	533,900	38.9	282,520	(47.1)
Financial Institutions	46,197	(5.0)	70,000	51.5	48,700	(30.4)
<b>Total</b>	<b>\$ 3,768,789</b>	<b>(11.2) %</b>	<b>\$ 4,688,300</b>	<b>24.4 %</b>	<b>\$ 4,019,850</b>	<b>(14.3) %</b>
<b>Excise Taxes:</b>						
Retail Sales	\$ 2,352,523	0.7 %	\$ 2,444,868	3.9 %	\$ 2,466,100	0.9 %
Compensating Use	479,060	10.9	565,000	17.9	665,500	17.8
Cigarette	116,456	(0.2)	110,000	(5.5)	109,000	(0.9)
Tobacco Products	9,180	2.4	9,700	5.7	9,900	2.1
Liquor Gallonage	21,978	(0.5)	24,500	11.5	25,000	2.0
Liquor Enforcement	74,667	0.5	81,000	8.5	82,000	1.2
Liquor Drink	10,350	(15.2)	9,200	(11.1)	10,000	8.7
Severance	20,692	(50.4)	15,200	(26.5)	22,800	50.0
Gas	390	(96.1)	2,400	515.8	4,100	70.8
Oil	20,302	(36.1)	12,800	(37.0)	18,700	46.1
<b>Total</b>	<b>\$ 3,084,905</b>	<b>1.4 %</b>	<b>\$ 3,259,468</b>	<b>5.7 %</b>	<b>\$ 3,390,300</b>	<b>4.0 %</b>
<b>Other Taxes:</b>						
Insurance Premiums	\$ 172,479	5.6 %	\$ 178,200	3.3 %	\$ 176,500	(1.0) %
Corporate Franchise	7,043	(4.2)	8,300	17.9	7,800	(6.0)
Miscellaneous	3,426	(8.5)	3,300	(3.7)	3,600	9.1
<b>Total</b>	<b>\$ 182,948</b>	<b>4.9 %</b>	<b>\$ 189,800</b>	<b>3.7 %</b>	<b>\$ 187,900</b>	<b>(1.0) %</b>
<b>Total Taxes</b>	<b>\$ 7,049,143</b>	<b>(5.7) %</b>	<b>\$ 8,150,468</b>	<b>15.6 %</b>	<b>\$ 7,610,950</b>	<b>(6.6) %</b>
<b>Other Revenues &amp; Receipts:</b>						
Interest	\$ 56,064	14.6 %	\$ 8,000	(85.7) %	\$ 1,500	(81.3) %
Transfers & Other Receipts	(251,224)	(24.1)	(115,900)	53.9	(109,600)	5.4
Agency Earnings	46,465	(8.1)	57,300	23.3	59,090	3.1
<b>Total</b>	<b>\$ (148,694)</b>	<b>(44.5) %</b>	<b>\$ (50,600)</b>	<b>66.0 %</b>	<b>\$ (49,010)</b>	<b>3.1 %</b>
<b>Total Receipts</b>	<b>\$ 6,900,449</b>	<b>(6.4) %</b>	<b>\$ 8,099,868</b>	<b>17.4 %</b>	<b>\$ 7,561,940</b>	<b>(6.6) %</b>

**Table 2**  
**State General Fund Receipts**  
**FY 2021 Revised**  
**Comparison of April 2021 Estimate to June 2021 Estimate**  
*(Dollars in Thousands)*

	FY 2021 CRE Est.	FY 2021 CRE Est.	Difference	
	Revised 04/20/21	Revised 06/09/21	Amount	Pct. Chg.
Property Tax/Fee:				
Motor Carrier	\$ 12,900	\$ 12,900	\$ --	-- %
Income Taxes:				
Individual	\$ 4,084,400	\$ 4,084,400	\$ --	-- %
Corporation	533,900	533,900	--	--
Financial Institutions	70,000	70,000	--	--
Total	\$ 4,688,300	\$ 4,688,300	\$ --	-- %
Excise Taxes:				
Retail Sales	\$ 2,445,000	\$ 2,444,868	\$ (133)	(0.0) %
Compensating Use	565,000	565,000	--	--
Cigarette	110,000	110,000	--	--
Tobacco Products	9,700	9,700	--	--
Liquor Gallonage	24,500	24,500	--	--
Liquor Enforcement	81,000	81,000	--	--
Liquor Drink	9,200	9,200	--	--
Severance	15,200	15,200	--	--
Gas	2,400	2,400	--	--
Oil	12,800	12,800	--	--
Total	\$ 3,259,600	\$ 3,259,468	\$ (133)	(0.0) %
Other Taxes:				
Insurance Premiums	\$ 178,200	\$ 178,200	\$ --	-- %
Corporate Franchise	8,300	8,300	--	--
Miscellaneous	3,300	3,300	--	--
Total	\$ 189,800	\$ 189,800	\$ --	-- %
Total Taxes	\$ 8,150,600	\$ 8,150,468	\$ (133)	(0.0) %
Other Revenues & Receipts:				
Interest	\$ 8,000	\$ 8,000	\$ --	-- %
Transfers & Other Receipts	(188,400)	(115,900)	72,500	38.5
Agency Earnings	57,300	57,300	--	--
Total	\$ (123,100)	\$ (50,600)	\$ 72,500	58.9 %
Total Receipts	\$ 8,027,500	\$ 8,099,868	\$ 72,368	0.9 %

**Table 3**  
**State General Fund Receipts**  
**FY 2022 Revised**  
**Comparison of April 2021 Estimate to June 2021 Estimate**  
*(Dollars in Thousands)*

	FY 2022 CRE Est.	FY 2022 CRE Est.	Difference	
	Revised 04/20/21	Revised 06/09/21	Amount	Pct. Chg.
Property Tax/Fee:				
Motor Carrier	\$ 12,900	\$ 12,900	\$ --	-- %
Income Taxes:				
Individual	\$ 3,790,400	\$ 3,688,630	\$ (101,770)	(2.7) %
Corporation	319,000	282,520	(36,480)	(11.4)
Financial Institutions	50,000	48,700	(1,300)	(2.6)
Total	\$ 4,159,400	\$ 4,019,850	\$ (139,550)	(3.4) %
Excise Taxes:				
Retail Sales	\$ 2,470,000	\$ 2,466,100	\$ (3,900)	(0.2) %
Compensating Use	630,000	665,500	35,500	5.6
Cigarette	109,000	109,000	--	--
Tobacco Products	9,900	9,900	--	--
Liquor Gallonage	25,000	25,000	--	--
Liquor Enforcement	82,000	82,000	--	--
Liquor Drink	10,000	10,000	--	--
Severance	22,800	22,800	--	--
Gas	4,100	4,100	--	--
Oil	18,700	18,700	--	--
Total	\$ 3,358,700	\$ 3,390,300	\$ 31,600	0.9 %
Other Taxes:				
Insurance Premiums	\$ 176,500	\$ 176,500	\$ --	-- %
Corporate Franchise	7,800	7,800	--	--
Miscellaneous	3,600	3,600	--	--
Total	\$ 187,900	\$ 187,900	\$ --	-- %
Total Taxes	\$ 7,718,900	\$ 7,610,950	\$ (107,950)	(1.4) %
Other Revenues & Receipts:				
Interest	\$ 1,500	\$ 1,500	\$ --	-- %
Transfers & Other Receipts	(254,800)	(109,600)	145,200	57.0
Agency Earnings	59,200	59,090	(110)	(0.2)
Total	\$ (194,100)	\$ (49,010)	\$ 145,090	74.8 %
Total Receipts	\$ 7,524,800	\$ 7,561,940	\$ 37,140	0.5 %

**Table 4 - Legislative Adjustments by Bill by Source to FY 2021 Estimates**  
 (\$ in millions)

		<u>Individual</u>	<u>Corporate</u>	<u>Privilege</u>	<u>Sales</u>	<u>Use</u>	<u>Transfers</u>	<u>Agency Earn.</u>	<u>Total</u>
HB 2143	Sales Tax Exemptions	\$ --	\$ --	\$ --	\$ (0.133)	\$ --	\$ --	\$ --	\$ (0.133)
HB 2007	Mega Budget Bill	--	--	--	--	--	85.997	--	85.997
SB 159	Omnibus Budget Bill	--	--	--	--	--	(13.497)	--	(13.497)
<b>Total</b>		<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ (0.133)</b>	<b>\$ --</b>	<b>\$ 72.500</b>	<b>\$ --</b>	<b>\$ 72.368</b>

**Table 5 - Legislative Adjustments by Bill by Source to FY 2022 Estimates**  
 (\$ in millions)

		<u>Individual</u>	<u>Corporate</u>	<u>Privilege</u>	<u>Sales</u>	<u>Use</u>	<u>Transfers</u>	<u>Agency Earn.</u>	<u>Total</u>
HB 2143	Sales Tax Exemptions	\$ --	\$ --	\$ --	\$ (3.900)	\$ --	\$ --	\$ --	\$ (3.900)
HB 2007	Mega Budget Bill	--	--	--	--	--	156.879	--	156.879
SB 159	Omnibus Budget Bill	--	--	--	--	--	(12.779)	--	(12.779)
SB 50	Decoupling/Marketplace	(99.270)	(36.130)	(1.300)	--	35.500	--	--	(101.200)
SB 47	Eisenhower/ROZ	(2.500)	(0.350)	--	--	--	--	--	(2.850)
HB 2203	Asbestos Remediation	--	--	--	--	--	--	(0.110)	(0.110)
HB 2134	Education Bill	--	--	--	--	--	1.100	--	1.100
<b>Total</b>		<b>\$ (101.770)</b>	<b>\$ (36.480)</b>	<b>\$ (1.300)</b>	<b>\$ (3.900)</b>	<b>\$ 35.500</b>	<b>\$ 145.200</b>	<b>\$ (0.110)</b>	<b>\$ 37.140</b>

**Cumulative FY 2021 + FY 2022**

**\$ 109.508**