

## **Tax Provisions—Sales and Use, Income, and Taxpayer Transparency**

**Senate Sub. for HB 2360** enacts a state sales tax increase, expands the food sales tax rebate program, expands the state earned income tax credit (EITC) program, and amends the Kansas Taxpayer Transparency Act.

### ***Sales and Use Tax Provisions***

The state sales and compensating use tax rate is increased from 5.3 to 6.3 percent, effective July 1, 2010. A grandfather clause provides that if contractors had entered into written binding contracts prior to May 1 for the original construction, reconstruction, restoration, remodeling, renovation, repair or replacement of a building, facility or residential structure, bridge or highway, the 5.3 percent rate will remain applicable to such contracts if proof is provided to the Department of Revenue prior to July 10.

The rate subsequently is reduced to 5.7 percent on July 1, 2013. Disposition of revenue provisions generally are adjusted to provide the State Highway Fund (SHF) with an estimated \$20.427 million of the additional revenue in FY 2011; \$21 million in each of FY 2012-2013; and all of the additional revenue above 5.3 percent once the rate returns to the 5.7 percent level. The balance of the additional receipts are to be deposited in the State General Fund (SGF), except for a small portion attributable to utility purchases within an intermodal facility district. Such receipts will be distributed temporarily to the SHF, but then may be transferred by the Secretary of Transportation to a new rail service improvement fund.

### ***Income Tax Provisions***

The food sales tax rebate program, which is administered through the income tax as a credit, is expanded such that the income eligibility ceiling is increased from the current \$31,900 to \$35,000 beginning in tax year 2010; the per capita refund amounts are increased from \$41 to \$45 in the upper-income tier of the program, and from \$84 to \$90 in the lower-income tier.

A second income tax provision increases the Kansas EITC from the current 17 percent of the federal EITC to 18 percent for tax years 2010-2012. The state EITC increase will then return to 17 percent of the federal credit in tax year 2013.

### ***Taxpayer Transparency***

Finally, the Kansas Taxpayer Transparency Act is amended to require the Secretary of Administration to include tax expenditure information provided by the Department of Revenue in addition to other information currently required to be provided on a searchable website pursuant to KSA 2009 Supp. 74-72,123.

The following table summarizes the estimated fiscal impact through FY 2015:

**FISCAL IMPACT - SENATE SUBSTITUTE FOR HOUSE BILL 2360**

(\$ in millions)

**Sales/Use Tax Increase:**

Increase Sales/Use Tax Rate from 5.3% to 6.3% on 7/1/10; Rate falls to 5.7% on 7/1/13; State Highway Fund receives \$19.3 million in FY 2011, and \$21.0 million for FY 2012 and FY 2013. State Highway Fund gets all of excess above 5.3% beginning in FY 2014.

State General Fund Diversion of Sales Tax Revenue for Intermodal	Expand Food Sales Tax Rebate Program to \$35,000 and Increase Refund Amounts to \$45/\$90	Expand Earned Income Tax Credit (EITC) from 17 to 18 percent of Federal EITC
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	State General Fund	State Highway Fund	Total	State General Fund	State General Fund	State General Fund	Total State General Fund	Total State Highway Fund	Grand Total All Funds
FY 2011	\$ 309.801	\$ 19.285	\$ 329.086	\$ (0.023)	\$ (10.900)	\$ (4.100)	\$ 294.778	\$ 19.285	\$ 314.063
FY 2012	367.504	21.000	388.504	(0.083)	(11.445)	(3.900)	352.076	21.000	373.076
FY 2013	381.102	21.000	402.102	(0.208)	(12.017)	(4.000)	364.877	21.000	385.877
FY 2014	29.399	171.967	201.366	(0.387)	(12.618)	0.000	16.394	171.967	188.361
FY 2015	0.000	189.526	189.526	(0.538)	(13.249)	0.000	(13.787)	189.526	175.739
5-yr total	\$ 1,087.806	\$ 422.778	\$ 1,510.584	\$ (1.239)	\$ (60.229)	\$ (12.000)	\$ 1,014.338	\$ 422.778	\$ 1,437.116