

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2303-01
Bill No.: HB 1015
Subject: Revenue Dept.; Taxation and Revenue - General; Taxation and Revenue - Income
Type: Original
Date: April 8, 2009

Bill Summary: Would prohibit city earnings and profits taxes beginning in 2016.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Attorney General** and the **Department of Revenue** assume this proposal would have no fiscal impact on their organizations.

Officials from the Office of Administration, Division of Budget and Planning (BAP) assume there would be no added cost to their organization as a result of this proposal. BAP officials stated that the proposal would have a minimal impact on general and total state revenues.

Officials from the **City of Kansas City** (KC) stated that this proposal would have a negative fiscal impact on their organization. This proposal would eliminate Kansas City's earnings tax beginning in 2016. Kansas City currently receives over \$200 million annually from its earnings tax. Factoring in inflation, if this legislation were to pass Kansas City would lose over \$238 million the first year the legislation became effective and \$245 million the subsequent year with increasing losses thereafter.

Oversight assumes this proposal would result in the loss of approximately \$200 million annually to the City of Kansas City. The effective date of the proposal is not within the range of fiscal periods reported on fiscal notes; therefore, this fiscal note will not indicate that impact.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses which are subject to the earnings and profits tax.

FISCAL DESCRIPTION

This proposal would prohibit city earnings and profits taxes beginning in 2016.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Attorney General
Office of Administration
 Division of Budget and Planning
Department of Revenue
City of Kansas City



Mickey Wilson, CPA
Director
April 8, 2009