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Laura Kelly, Governor

## MEMORANDUM

TO: Governor's Council on Tax Reform

FROM: Mark A. Burghart  
Secretary of Revenue

RE: SGF Receipts, 2021 Return Processing and Legislative Update

DATE: March 5, 2021

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### **I. STATE GENERAL FUND RECEIPTS THROUGH FEBRUARY 2021**

- Tax-only receipts for February were \$455.9 million which was \$19.8 million or 4.5% above the estimate and \$7.6 million or 1.7% over February 2020. See attached SGF Receipt Schedules.
- Individual income tax refunds for February were lower by as much as \$20 million because return processing did not begin in earnest until February 12 in order to coincide with the Internal Revenue Service (IRS) start date.
- Cumulative tax-only receipts at \$5.4 billion are higher than at the same time in 2020 because significant income and privilege tax receipts were deferred from April 2020 to July 2020.

### **II. 2021 TAX RETURN PROCESSING**

- 296,665 individual income tax refunds totaling \$125.8 million have been issued thus far in CY 2021
- the average individual income tax refund is \$424
- 99,900 individual income balance due payments totaling \$59.8 million have been received
- the average balance due payment is \$599
- approximately 25% fewer returns have been filed in CY 2021 than at the same time in CY 2020

### III. 2021 S.B. 22

When originally introduced, S.B. 22 had a fiscal note of \$329.1 million for FY 2022. After certain amendments in the Senate Committee on Assessment and Taxation, the fiscal note dropped to \$175.0 million for FY 2022. The fiscal note after the Senate Committee of the Whole amendments is set forth below.

#### **Summary Table of Fiscal Impact SB22 (amended by Senate Committee of the Whole)**

	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Expensing Deduction	\$2.3	\$2.4	\$2.5
UI Fraud	\$0.0	\$0.0	\$0.0
Limitation on Deduction for Interest	-\$30.6	-\$37.5	-\$38.6
Limitation on Deduction for FDIC Premiums	-\$1.3	-\$1.3	-\$1.3
GILTI (2021 and After)*	-\$24.2	-\$23.5	-\$23.7
Deduction for Meal Expenditure	\$0.0	\$0.0	-\$3.1
Allowing Itemized Deductions**	-\$127.8	-\$65.7	-\$66.3
Capital Contributions	Negligible	Negligible	Negligible
Social Security Benefits subtraction modification	-\$115.1	-\$118.6	-\$122.1
Retirement Benefits subtraction modification	-\$125.1	-\$126.3	-\$127.6
Increasing Standard Deduction	-\$84.3	-\$97.3	-\$98.2
<b>Total</b>	<b>-\$506.1</b>	<b>-\$467.8</b>	<b>-\$478.5</b>

\* Individuals are allowed to deduct GILTI income before any deduction. We are unable to determine the impact for this allowance at this time.

\*\* Allowing itemized deductions is effective for TY 2020. FY 2022 includes estimates for TY 2020 (-\$62.8) and TY 2021 (-\$65).

Notes:

(a) Itemized deductions updated to correct the simulation for medical expenditures for TY 2020 and after, and incorporating Federal standard deduction change in 2021.

(b) There would be an interaction between increasing the Kansas standard deduction and allowing taxpayers to choose between Kansas itemized and standard deductions.

The interaction would slightly change the total impact of these two policies when compared to them being applied separately. The table reflects the changes separately.

### IV. DIGITAL GOODS AND MARKETPLACE FACILITATOR BILLS

#### 1. Digital Goods

- H.B. 2230 – Governor’s Council on Tax Reform proposal
- referred to House Committee on Taxation
- hearing in House Committee on Taxation on February 18
- Fiscal Note: FY22 is \$42.7 million; FY23 is \$48.9 million
- the bill remains in the House Committee on Taxation

## 2. Marketplace Facilitators

- H.B. 2395
  - Governor’s Council on Tax Reform proposal
  - referred to House Committee on Taxation
  - no *de minimis* is specified for marketplace facilitators or remote sellers
  - a hearing has yet to be scheduled in the House Committee on Taxation
  - Fiscal Note: FY22 is \$43.1 million; FY23 is \$49.4 million
  
- H.B. 2225
  - referred to House Committee on Taxation
  - wrong version of Council’s Bill
  - Fiscal Note: FY22 is \$43.1 million; FY23 is \$49.4 million
  
- H.B. 2173
  - referred to House Committee on Taxation
  - a hearing was held on February 10
  - \$100,000 *de minimis* threshold for marketplace facilitators and remote sellers
  - requested by the Kansas Chamber of Commerce
  - Fiscal Note: FY22 is \$35.5 million; FY23 is \$41.7 million
  
- S.B. 50
  - referred to Senate Committee on Assessment and Taxation
  - hearing was held on February 3
  - amended by Senate Committee; bill remains on Senate General Orders
  - \$100,000 *de minimis* threshold for marketplace facilitators and remote sellers
  - requested by the Kansas Chamber of Commerce
  - Fiscal Note: FY22 is \$35.5 million; FY23 is \$41.7 million