

March 6, 2024

The Honorable Adam Smith, Chairperson
House Committee on Taxation
300 SW 10th Avenue, Room 346-S
Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2694 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2694 is respectfully submitted to your committee.

HB 2694 would expand the Selective Assistance for Effective Senior Relief (SAFESR) tax credit beginning in tax year 2024. Under current law, if a taxpayer is 65 years of age or older with household income equal to or less than 120.0 percent of the federal poverty level for two persons and the appraised value of their residence is under \$350,000, they are eligible to claim the 75.0 percent SAFESR tax credit on the amount of property taxes that are timely paid. The bill would set the SAFESR tax credit based on the age of the taxpayer using the current income and appraised valuation requirements as follows:

<u>Age of the Taxpayer</u>	<u>Tax Credit Percentage</u>
At least 65 years of age but less than 75 years of age	75.0 %
At least 75 years of age but less than 85 years of age	80.0
At least 85 years of age but less than 90 years of age	90.0
At least 90 years of age	100.0

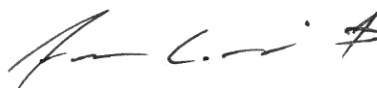
The bill would set the maximum amount of the SAFESR tax credit that could be claimed at \$1,500 in tax year 2024. The bill would increase a maximum amount of the SAFESR tax credit that could be claimed based on the cost-of-living adjustment published in the Internal Revenue Code beginning in tax year 2025 and annually thereafter.

Estimated State Fiscal Effect			
	FY 2024	FY 2025	FY 2026
Expenditures			
State General Fund	--	\$69,970	--
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Expenditures	--	\$69,970	--
Revenues			
State General Fund	--	(\$5,830,000)	(\$5,830,000)
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Revenues	--	(\$5,830,000)	(\$5,830,000)
FTE Positions	--	--	--

The Department of Revenue estimates that HB 2694 would decrease State General Fund revenues by \$5,830,000 in FY 2025, FY 2026, and FY 2027. To formulate these estimates, the Department of Revenue reviewed housing data from the U.S. Census Bureau and housing and property tax data from the Property Valuation Division of the Department of Revenue. While this bill increases the percentage of property tax to be refunded to claimants based on their age, it also sets a maximum refund at \$1,500 for tax year 2024 with future increases to the maximum refund amount based on the cost-of-living adjustments. This will likely cause many refunds to decrease from current levels. Based on tax year 2022 returns, the Department estimates that 2,151 of the 6,304 refund claims would see a decrease in their refund amount, which will increase State General Fund revenues by an estimated \$1,660,000 in FY 2025. Those 2,151 refunds over \$1,500 for tax year 2022 had an average refund of \$2,161. The remaining 4,153 had an average refund of \$925.31. Increasing the percentage for refunds based on age is estimated to reduce State General Fund revenues by \$7,490,000 in FY 2025. Resulting in a total reduction of State General fund revenues of \$5,830,00 in FY 2025 with similar results in future fiscal years. The Department assumes that property taxes would increase by 5.21 percent each year.

The Department of Revenue indicates that it would require a total of \$69,970 from the State General Fund in FY 2025 to implement the bill and to modify the automated tax system. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds the Department’s programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department’s current budget may be required. Any fiscal effect associated with HB 2694 is not reflected in *The FY 2025 Governor’s Budget Report*.

Sincerely,



Adam C. Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue