

March 7, 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 2701 by House Committee on Education

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2701 is respectfully submitted to your committee.

Under current law, public or private school teachers are allowed to claim a tax credit for the amount equal to the expenditures made for school and classroom supplies up to \$250 during the taxable year. HB 2701 would increase the maximum amount of the tax credit to \$500 in tax year 2024 and would allow an individual employed by a school district or private school as a teacher, administrator, counselor, psychologist, librarian, occupational therapist, physical therapist, speech language pathologist, or paraprofessional to qualify for this tax credit. The maximum tax credit amount would be adjusted annually by the cost-of-living adjustment published in the Internal Revenue Code beginning in tax year 2025.

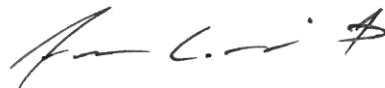
Estimated State Fiscal Effect			
	FY 2024	FY 2025	FY 2026
Expenditures			
State General Fund	--	\$72,009	\$61,760
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Expenditures	--	\$72,009	\$61,760
Revenues			
State General Fund	--	(\$3,600,000)	(\$3,800,000)
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Revenues	--	(\$3,600,000)	(\$3,800,000)
FTE Positions	--	1.00	1.00

The Department of Revenue estimates that HB 2701 would decrease State General Fund revenues by \$3.6 million in FY 2025, \$3.8 million in FY 2026, and \$4.0 million in FY 2027. To formulate these estimates, the Department of Revenue reviewed data on school and classroom supplies tax credit claims from tax year 2022. Currently 99.2 percent of tax credits claimed are allowed against tax liability. Based on Kansas Department of Education school personnel data, it is expected that newly allowed employees will increase claims by 15.0 percent. The fiscal note assumes the tax credit will be claimed a similar rate with the higher tax credit amount and accounts for the additional individuals that qualify for this tax credits. The fiscal note assumes that inflation will increase by 2.5 percent which will allow the annual maximum tax credit amounts to increase by 2.5 percent each year.

The Department indicates that the bill would require \$72,009 from the State General Fund in FY 2025 to implement the bill and to modify the automated tax system. The bill would require the Department to hire 1.00 new Customer Service Representative FTE position to answer questions from taxpayers. The Department estimates that ongoing expenses for salaries and wages for the 1.00 new FTE positions would total \$61,760 from the State General Fund in FY 2026. 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.

The Department of Education indicates the bill would have no fiscal effect on its operations. Any fiscal effect associated with HB 2701 is not reflected in *The FY 2025 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", followed by a stylized flourish.

Adam C. Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Gabrielle Hull, Department of Education
Angie Stallbaumer, Kansas Association of School Boards