

February 27, 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 2763 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2763 is respectfully submitted to your committee.

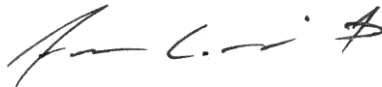
HB 2763 would create a new non-refundable income tax credit for a retail dealer that sells higher ethanol blend at their service station or a distributor that sells higher ethanol blend directly to the final user located in this state. Higher ethanol blend is a fuel that is comprised of at least 15.0 percent but not more than 85.0 percent ethanol and is capable of being dispensed directly into motor vehicle fuel tanks for consumption. The amount of the income tax credit would be equal to \$0.05 per gallon of higher ethanol blend sold by the retail dealer and or distributor. The bill would allow any unused tax credits to be carried forward for up to five years. The total amount of tax credits that could be claimed would be capped at \$5.0 million per tax year and the tax credit could be claimed in tax years 2025 through 2030.

The Department of Revenue indicates that it does not have data on retail sales of qualifying higher ethanol blend fuel to accurately estimate the fiscal effect of HB 2763. If the new credit is fully utilized, the bill would reduce State General Fund revenues by \$5.0 million per tax year.

The Department indicates that the bill would require \$230,230 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 position would total \$72,009 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. Any fiscal effect associated with HB 2763 is not reflected in *The FY 2025 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt" with a stylized flourish at the end.

Adam C. Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Brendan Yorkey, Department of Transportation