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Adam C. Proffitt, Director

Laura Kelly, Governor

March 17, 2025

The Honorable Sean Tarwater, Chairperson
House Committee on Commerce, Labor and Economic Development
300 SW 10th Avenue, Room 346-S
Topeka, Kansas 66612

Dear Representative Tarwater:

SUBJECT: Fiscal Note for HB 2090 by Representative Poskin, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2090 is respectfully submitted to your committee.

HB 2090 would create the Kansas Employee Emergency Savings Account (KEESA) Program which would be administered by the Department of Commerce. The bill would assist eligible employers with recruiting and retaining employees in a challenging labor market through incentives to contribute to employee emergency savings accounts, to encourage employees of eligible employers to save money for emergencies, avoid high-cost borrowing, and to encourage financial literacy. Eligible employers would be required to hire no more than 250 employees and be required to apply to the Secretary of Commerce to participate in the KEESA Program. Eligible employers would be required to make an initial deposit of at least $50 on behalf of a participating employee to establish the savings account. The employer would be eligible for a 50.0 percent income tax credit for the initial deposits in a participating employees' savings account with a maximum credit of $50 per employee. The eligible employer could make additional deposits to employees' savings accounts based on matching funds or other amounts as determined by the employer. The employer would be eligible for a 25.0 percent income tax credit for matching funds or other amounts deposited in a participating employees' savings account with a maximum credit of $325 per employee. The tax credits would be available to be claimed in tax years 2025, 2026, and 2027. These tax credits are not refundable or transferable, and any unused tax credits could be carried forward for up to two years.

The employee would be allowed make deposits in the savings account including a direct payroll deduction and would not incur any fees or charges for making that deduction. The employee savings accounts would be federally insured and accessible through online and mobile banking. The mobile application would notify employees of payroll deposits and provide financial literacy tools and educational materials to learn about saving for emergencies, establishing savings goals, and budgeting. The employee would be the owner of the savings account, and the employer could not restrict any uses of the money in the account.

On or before January 31 each year, the eligible employer would be required to provide to each participating employee notice of the employee's total deposits from payroll deductions made to the employee's savings account during the prior taxable year. Eligible employers would annually report to the Secretary of Commerce the number of employee savings accounts newly established during the preceding year; the amounts of initial deposits made by the employer during the preceding year; the number of participating employees during the preceding year; the amounts of deposits by employees from payroll deductions during the preceding year; the amounts of additional deposits made by the employer during the preceding year; and any additional information requested by the Secretary. The Department of Commerce would have the authority to write rules and regulations to implement the bill.

Calculations for Kansas income taxes are based on Kansas adjusted gross income, which is calculated by adding or subtracting certain types of income from federal adjusted gross income. The bill would allow an eligible employee to subtract from income for Kansas income tax purposes the amount of payroll that was deducted from wages and deposited in the taxpayer's employee savings account. The subtraction modification would be capped at $1,500 per taxpayer or $3,000 for married filing jointly and would be available for tax years 2025, 2026, and 2027.

The Department of Revenue estimates that HB 2090 has the potential to reduce State General Fund revenues by $28.0 million in FY 2026, $68.8 million in FY 2027, and $122.4 million in FY 2028. To formulate these estimates, the Department of Revenue reviewed data from the U.S. Census Bureau and from individual income tax returns from tax year 2023. Data from the U.S. Census bureau indicates that there are 479,135 employees in Kansas working for employers with fewer than 200 employees. This employee count does not account for employers that employ between 200 and 250 employees; however, not all employers would set up these savings account even though it would be advantageous for them to do so. If accounts are established for 479,135 employees, it is expected to generate $155.7 million a year in credits from employer contributions and $24.0 million in credits for initial contributions when establishing the savings accounts. It is expected that these savings accounts would be established over a three-year period from tax year 2025 through 2027. For the subtraction modification, the Department assumes employers would take the full $3,000 modification for joint filers and $1,500 for all other taxpayers and using an effective tax rate of 2.1 percent, the bill would reduce receipts by approximately $15.1 million per year once fully implemented.

The Department of Revenue indicates that it would require $185,150 from the State General Fund in FY 2026 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.

The Department of Commerce indicates that bill would require $52,167 from the State General Fund in FY 2026 to implement the bill. The bill would require the Department hire a new 0.50 FTE position to manage this new program.

The Department of Administration indicates that adjusting state income tax collections has the potential to have a fiscal effect on the amount of revenue collected from its debt setoff program. This program intercepts individual income tax refunds and homestead tax refunds and applies those amounts to debts owed to state agencies, municipalities, district courts, and state agencies in other states. Debts include, but are not limited to child support, taxes, educational expenses, fines, services provided to the debtor, and court ordered restitution. As the dollar amounts of refunds are increased, the amount available for possible debt setoffs is also increased. However, the Department is unable to make an estimate of the amount of additional debts setoffs that will be intercepted as a result of the bill. Any fiscal effect associated with HB 2090 is not reflected in *The FY 2026 Governor's Budget Report*.

Sincerely,

Adam C. Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Sherry Rentfro, Department of Commerce
Samir Arif, Department of Administration