

February 16, 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 2123 by Representative Sawyer Clayton, et al.

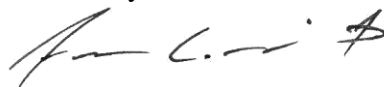
In accordance with KSA 75-3715a, the following fiscal note concerning HB 2123 is respectfully submitted to your committee.

HB 2123 would increase the minimum wage rate for employees receiving tips and gratuities from \$2.13 an hour to \$6.15 an hour.

The Kansas Department of Revenue states that there are an estimated 20,600 employees that would have increased wages as a result of enactment of HB 2123. This would increase taxable income by \$174.2 million, and at an effective tax rate of 2.1 percent this would increase revenue to the State General Fund by \$2.9 million in FY 2026 and \$3.6 million per year beginning in FY 2027. The agency estimates administrative expenditures would increase by \$1,340 due to enactment of the bill.

The Kansas Department of Labor notes that as the minimum wage increases, unemployment compensation taxes would increase, and this would eventually have a fiscal effect on the Unemployment Trust Fund, but a total fiscal effect could not be estimated. Any fiscal effect associated with HB 2123 is not reflected in *The FY 2026 Governor's Budget Report*.

Sincerely,



Adam C. Proffitt  
Director of the Budget

cc: Dawn Palmberg, Department of Labor  
Lynn Robinson, Department of Revenue