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Adam C. Proffitt, Director

Laura Kelly, Governor

February 20, 2025

The Honorable Ken Rahjes, Chairperson
House Committee on Agriculture and Natural Resources
300 SW 10th Avenue, Room 112-N
Topeka, Kansas 66612

Dear Representative Rahjes:

SUBJECT: Fiscal Note for HB 2161 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2161 is respectfully submitted to your committee.

HB 2161 would create a new non-refundable income tax credit for a retail dealer that sells biodiesel blend or renewable diesel blend fuel at their service station or a distributor that sells biodiesel blend or renewable diesel blend fuel directly to the final user located in this state. The bill includes definitions of biodiesel fuel, renewable diesel, and renewable diesel blend. The amount of the income tax credit would be equal to $0.05 per gallon of biodiesel blend or renewable diesel 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 2026 through 2031.

The Department of Revenue indicates that it does not have data on retail sales of qualifying biodiesel blend or renewable diesel blend to accurately estimate the fiscal effect of HB 2161. If the new credit is fully utilized, the bill would reduce State General Fund revenues by $5.0 million per tax year beginning in tax year 2026 or FY 2027.

The Department indicates that the bill would require $212,981 from the State General Fund in FY 2026 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 and to assist with the administration of this new program. The Department estimates that ongoing expenses for salaries and wages for the 1.00 new FTE position would total $72,182 from the State General Fund in FY 2027. 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 2161 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