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Adam C. Proffitt, Director

Laura Kelly, Governor

February 10, 2025

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 2208 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2208 is respectfully submitted to your committee.

HB 2208 would enact the Endow Kansas Tax Credit Act. The bill would allow endowment gifts to qualified community foundations to receive a 70.0 percent tax credit beginning in tax year 2026. Qualified community foundations would be required to be a nonprofit organization organized under the laws of this state to serve the State of Kansas, one or more Kansas counties or municipalities, or a combination those. The qualified community foundation would be required to be exempt from federal income taxation and support broad-based charitable interests that benefit the residents of a defined geographic area not larger than the State of Kansas. Tax credits would be limited to \$3.0 million in tax year 2026, \$4.0 million in tax year 2027, and \$5.0 million in tax year 2028 and in all future tax years. No single qualified community foundation would be allocated no more than 10.0 percent of the amount of available credits. The tax credit would be non-refundable and non-transferable. If the tax credit amount exceeds the taxpayer’s Kansas adjusted gross income for that taxable year, the amount that exceeds the Kansas adjusted gross income could be carried forward for up to five years. The bill sets the minimum endowment gift at \$500. An individual or fiduciary would be able to claim up to \$100,000 in tax credits while married taxpayers filing a joint return and corporations would be able to claim up to \$200,000 in tax credits. The bill includes administrative requirements and procedures for the qualification and certification of a qualified community foundation by the Department of Revenue, the allocation of tax credits if the aggregate amount of tax credits requested is above the limit, and the reallocation of any unused tax credits.

Estimated State Fiscal Effect			
	FY 2025	FY 2026	FY 2027
Expenditures			
State General Fund	--	$314,431	$72,181
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Expenditures	--	$314,431	$72,181
Revenues			
State General Fund	--	--	($3,000,000)
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Revenues	--	--	($3,000,000)
FTE Positions	--	1.00	1.00

The Department of Revenue estimates that HB 2208 would not have a fiscal effect on State General Fund revenues until tax year 2026 or FY 2027. The fiscal effect to state revenues during subsequent years would be as follows:

	FY 2027	FY 2028	FY 2029	FY 2030
State General Fund	($3,000,000)	($4,000,000)	($5,000,000)	($5,000,000)

To formulate these estimates, the Department of Revenue reviewed data from other tax credit programs that offer tax credits for certain contributions and indicates that the statutory cap would be reached in each tax year. The $3.0 million in tax credits would allow qualified community foundations to raise $4,285,714 in endowed gifts in tax year 2026 or FY 2027.

The Department of Revenue indicates that the bill would require $314,431 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 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 FTE position and overhead expenses would total $72,181 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 2208 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