



January 22, 2026

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 2430 by Representative A. Smith

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2430 is respectfully submitted to your committee.

HB 2430 would enact the Insurance Savings Account Act. Starting January 1, 2027, any individual or corporation would be allowed to open an account with a financial institution and designate the account as an insurance savings account to pay or reimburse insurance premiums and deductibles for property and casualty insurance.

Calculations for Kansas income taxes are based on Kansas adjusted gross income, which is calculated by adding or subtracting certain types of income from the amount of federal adjusted gross income. The bill would allow taxpayers to subtract the amount of contributions to an insurance savings account from income for Kansas income tax purposes beginning in tax year 2027. The bill would limit the subtraction modification to \$6,000 for individual taxpayers, \$12,000 for a married couple filing a joint return, and \$25,000 for a corporation, or the amount received as income earned from assets in an insurance savings account. If the taxpayer does not use the insurance savings account for the authorized uses, they would be required to add back the amounts previously claimed for Kansas income tax purposes. The Department of Revenue would have the authority to write rules and regulations to implement the bill.

Financial institutions would be protected under the bill and would not be required to track how the funds are used, ensure accountholders qualify for tax benefits, or be responsible for determining if withdrawals are used for eligible expenses. The Kansas Commissioner of Insurance would be granted non-exclusive authority to market the program throughout the state.

The Department of Revenue and the Kansas Department of Insurance are estimating substantially different fiscal impacts for this bill. Each agency has utilized a different set of underlying assumptions that inform their individual estimates for the fiscal note. Those assumptions and the individual estimates for the fiscal impact are listed in the following paragraphs.

The Department of Revenue estimates that the bill would decrease state revenues by \$73.1 million in FY 2027 and up to \$248.9 million per year thereafter. To formulate these estimates, the Department of Revenue used the 2020 United States Census report, which shows that there are approximately 1.2 million households in Kansas. The Department estimates that large corporations will fully utilize the accounts and would reduce State General Fund revenue by \$5.2 million. Smaller companies would pay \$684 a year in business insurance premiums into the savings account. The Department estimates that if 10.0 percent of households fully utilize the account with an effective tax rate of 3.5 percent, the total reduced State General Fund revenue between individuals and corporations would be \$29.5 million. If all households utilize the savings account, then the total reduced State General Fund revenue would be \$248.9 million. The Department estimates a reduction in FY 2027 because they anticipate that individuals could adjust their withholding and thus the first reduction in State General Fund revenue would occur in FY 2027.

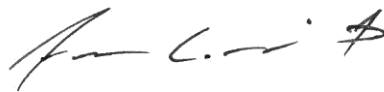
The Department of Revenue indicates that it would require a total of \$175,787 from the State General Fund in FY 2027 to implement the bill and to modify the automated tax system. The bill would require the Department to hire 1.00 new position to answer questions from taxpayers. The Department estimates that ongoing expenses for salaries and wages for the 1.00 position would total \$75,112 from the State General Fund in FY 2028. 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 Kansas Department of Insurance states that enactment of the bill would not have a fiscal effect on agency operations. However, the agency estimates that the bill would reduce State General Fund revenues by \$6.0 million in FY 2028 and \$12.1 million in FY 2029. To formulate these estimates, the Department assumes that because the bill would become effective for tax year 2027, the reduction in revenues would not occur until FY 2028. For individuals and married filing jointly, the Department utilized the original fiscal note for the level of participation in the First-Time Homebuyers Savings Account Program passed in 2021 when it was projected that 15,438 would participate in the program. The Department estimates that less than half of the original projections for the First-Time Homebuyers Savings Account Program would utilize an insurance savings account. For the corporate estimate, the Department obtained the number of large corporations, which total 2,787, from the Department of Revenue and used approximately half the amount for the first year and the entire amount for the second year. For FY 2028, the agency estimates that 3,750 individuals, 3,750 married filing jointly, and 1,400 corporations would utilize the new account at the maximum contribution rate. The tax rate is estimated at 5.58 percent for

individuals and those married filing jointly and 6.5 percent for corporations. For FY 2029, the agency estimates that 7,500 individuals, 7,500 married filing jointly, and 2,800 corporations would utilize the maximum contribution rate. The tax rate would be the same as FY 2028.

The Kansas Department of Credit Unions and the Office of the State Bank Commissioner both state that enactment of the bill would not have a fiscal effect on the operations of either agency. The Office of the State Bank Commissioner indicates the bill has the potential to increase the number of accounts at state-charter banks; however, savings accounts are not a substantial source of assets for banks, so any gain in assets would be minimal. Bank assets are one component of the assessment rates that are used to fund its operations. Assessment rate adjustments as a result of this bill are estimated to be negligible. Any fiscal effect associated with HB 2430 is not reflected in *The FY 2027 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", followed by a stylized flourish or symbol.

Adam C. Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Kyle Strathman, Insurance Department
Jesse Becker, Office of the State Bank Commissioner
Julie Murray, Department of Credit Unions