



March 25, 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 2432 by Representatives Meyer, Oropeza, and S. Ruiz

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2432 is respectfully submitted to your committee.

HB 2432 would enact the Stop Bad Employers by Zeroing Out Subsidies Act that would impose an excise tax on each large employer equal to 100.0 percent of the qualified federal benefits received by employees. The bill defines a “large employer” as any employer that has employed an average of at least 500 employees during the preceding calendar year. The bill would prohibit large employers from asking if an applicant for employment receives qualified federal benefits. The tax would be administered by the Director of Taxation at the Department of Revenue, and all tax revenue would be deposited into the State General Fund. Qualified federal benefits would include:

1. The dollar value of Supplemental Nutrition Assistance Program (SNAP) benefits for a household that includes a qualified employee;
2. The dollar value of meals for a qualified employee or dependents of the employee received under the National School Lunch Program;
3. The total amount of the monthly housing assistance benefits received under the United States Housing Act of 1937; and
4. The amount of payments made for medical assistance for a qualified employee or dependents of the employee under a qualifying state Medicaid plan.

The Department of Revenue does not have data on qualified federal benefits that are received by employees of large employers; therefore, a precise fiscal effect of HB 2432 cannot be provided. Using a variety of sources, the Department has identified the total amount of qualified federal benefits paid in Kansas as follows:

<u>Program</u>	<u>Amount</u>
SNAP	\$ 400,000,000
School Lunch	143,677,567
Housing Assistance	222,000,000
<u>Medicaid</u>	<u>5,400,000,000</u>
Total	\$6,165,677,567

The Department assumes that if 10.0 percent of qualified federal benefits are received by employees of large employers, or their dependents, then the excise tax would generate approximately \$616.6 million annually that would be deposited into the State General Fund beginning in tax year 2026 or FY 2027.

The Department indicates that the bill would require \$712,253 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 3.00 new FTE positions to answer questions from taxpayers and to review, process, and audit excise tax returns. The Department estimates that ongoing expenses for salaries and wages for the 3.00 FTE positions and overhead expenses would total \$260,093 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.

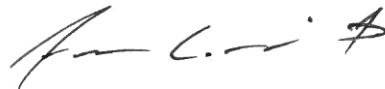
The Kansas Department of Health and Environment (KDHE), Division of Health Care Finance indicates that the bill would require at least \$1.7 million from the State General Fund in FY 2027 to implement the bill and to modify Kansas Eligibility and Enforcement System (KEES). The changes to the KEES would be necessary to accurately capture employer size information. While KEES does receive wage information from multiple external sources, it does not control how those sources manage the employer name, or whether it is managed consistently across all vendors. There is potential for data gaps due to differences between franchise or company names and the business names reported to Medicaid or shown on employee paystubs. KDHE would have no assurance that all "doing business as" (DBA) names would be provided, which could limit its ability to accurately extract and match data. KDHE indicates the bill would increase administrative costs by unknown amounts to update training materials, develop new policy documents, and manage increased staff workload. Because the volume of work is currently unknown, it is not possible to determine whether additional staffing would be required.

KDHE indicates that Medicaid beneficiaries, once eligible, are reviewed for Medicaid eligibility annually; therefore, the income record and employer name contained in KEES may not be as frequently updated as changes in employment. This could return employee counts related to

a specific employer that are incorrect, or current employees may not be included in this data. Employers near the 500-employee threshold could downsize or reduce staffing to stay below the threshold and avoid the excise tax. Additionally, large employers may consider leaving the state to avoid the excise tax, which has potential to increase unemployment and Medicaid enrollment.

The Department for Children and Families reviewed data from the federal Government Accountability Office (GAO) report entitled *Federal Social Safety Net Programs: Millions of Full-time Workers Rely on Federal Health Care and Food Assistance Programs* from October 2020. This report included a table that showed that between 43.9 percent and 48.6 percent of working individuals receiving SNAP benefits were employed by companies with over 500 employees nationwide. On a monthly basis, Kansas provides SNAP benefits to an estimated 50,250 cases in which wages are reported as being earned. Based on the GAO study, it is estimated that 23,241 of these cases include at least one adult working for an employer with over 500 employees with annual SNAP benefit payments that total \$100.7 million. Any fiscal effect associated with HB 2432 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
Gabrielle Hull, Department of Education
Amy Penrod, Department of Health & Environment
Kim Holter, Department for Children & Families
Leigh Keck, Department for Aging & Disability Services