



February 18, 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 2442 by House Committee on Taxation

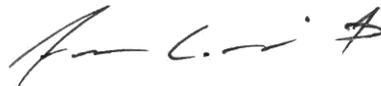
In accordance with KSA 75-3715a, the following fiscal note concerning HB 2442 is respectfully submitted to your committee.

HB 2442 would require all business income from alcoholic liquor manufacturers to be apportioned by multiplying the business income by the sales factor beginning on January 1, 2027. Under current law, most industries are scheduled to switch to a single sales factor in tax year 2027, and this bill would remove language requiring alcoholic liquor manufacturers to continue using three-factor apportionment.

Estimated State Fiscal Effect			
	FY 2026	FY 2027	FY 2028
Expenditures			
State General Fund	--	--	--
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Expenditures	--	--	--
Revenues			
State General Fund	--	--	\$1,300,000
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Revenues	--	--	\$1,300,000
FTE Positions	--	--	--

The Department of Revenue estimates that HB 2442 would increase State General Fund revenues by \$1.3 million in both FY 2028 and FY 2029. To formulate these estimates, the Department reviewed corporate income tax returns of industry leaders and other alcohol manufacturers from tax year 2023. The current tax balance was recalculated using the sales factor provided by the company when available. For companies without a known sales factor, an industry average of 0.86 percent was estimated from other returns. After accounting for existing tax credits, the recalculation resulted in a \$1.3 million increase in tax liability on corporate returns. Companies that operate solely in Kansas would see no change from the apportionment method changes in this bill. The Department indicates that the bill would have no fiscal effect on its operations. Any fiscal effect associated with HB 2442 is not reflected in *The FY 2027 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", with a stylized flourish at the end.

Adam C. Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue