

February 9, 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 2541 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2541 is respectfully submitted to your committee.

HB 2541 would enact the Kansas Rural Business Growth Program Act for the purpose of incentivizing capital investment in rural areas. This program would be administered by the Department of Commerce. The rural area is defined as not located in a municipality with a population of more than 50,000 inhabitants or in an urbanized area contiguous and adjacent to a city that has a population of more than 50,000 inhabitants. Eligible businesses are those with fewer than 250 employees with primary operations in the rural area, not in the rural area but engaged in certain industry sectors, or if the business is determined by the Department of Commerce that the investment would be beneficial to the rural area and economic growth of the state.

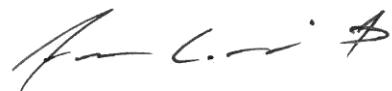
The Department of Commerce would begin accepting applications on October 1, 2026, for a rural fund that seeks to have an equity investment certified as a capital investment eligible for tax credits. The application would include the amount of the capital investment requested, a copy of the applicant's or an affiliate of the applicant's licenses as a rural business investment company, evidence that the applicant or affiliates of the applicant have invested at least \$100.0 million in nonpublic companies located in counties within the United States with a population of less than 75,000 people, a business plan, and a nonrefundable application fee of \$5,000. The application fee would be deposited in the State General Fund. The Department of Commerce would certify capital investment authority under provisions of the bill and could authorize tax credits of up to \$7.5 million per tax year. The bill includes deadlines, benchmarks, obligations, and reporting requirements for qualified capital investments and procedures to recapture tax credits under certain conditions.

The bill would provide rural investors with tax credits totaling 60.0 percent of their capital investment amount in eligible businesses. The tax credit would be claimed over six years, with no credits claimed in the first two years and 15.0 percent annually for the subsequent four years. The tax credit would be applied to insurance premium and retaliatory taxes. The tax credit would be non-refundable and non-transferable; however, the bill allows an insurance company to transfer tax credits to an affiliate of the insurance company that is subject to taxation. An insurance company claiming a tax credit would not be required to pay any additional premium tax, retaliatory tax, fee, charge, or other penalty or tax as a result of claiming the tax credit. Tax credits earned by or allocated to a partnership, limited liability company, or S corporation could be allocated to the partners, members or shareholders of that entity. If the tax credit amount exceeds the rural investor's state tax liability for that taxable year, the excess amount could be carried forward for up to five years.

The Kansas Department of Insurance estimates that HB 2541 would reduce insurance premiums tax collections that are distributed to the State General Fund by unknown amounts beginning in tax year 2028 or FY 2029. The bill authorizes tax credits of up to \$7.5 million per tax year that only can be claimed beginning in the third tax year after the tax credits are issued. This means that if \$7.5 million in tax credits are issued in tax year 2026, then no tax credits could be claimed in tax year 2026 or tax year 2027 but could be claimed beginning in tax year 2028. Because the bill caps the tax credit amount issued to \$7.5 million per tax year, the maximum reduction to State General Fund revenues would be \$7.5 million per year. The Insurance Department indicates that the costs to implement the bill would be negligible and could be absorbed within existing resources.

The Department of Commerce indicates that the bill would require \$189,000 from the State General Fund in FY 2027 for administrative costs to implement this new program. These estimates include the salaries and wages and operating costs for 2.00 new FTE positions. This new program would require the Department to verify supporting documents, develop application forms and award agreements, and review and approve applications and business plans for investment companies. Any fiscal effect associated with HB 2541 is not reflected in *The FY 2027 Governor's Budget Report*.

Sincerely,



Adam C. Proffitt
Director of the Budget

cc: Sherry Rentfro, Department of Commerce
Kyle Strathman, Department of Insurance