

February 9, 2026

The Honorable William Sutton, Chairperson
 House Committee on Insurance
 300 SW 10th Avenue, Room 218-N
 Topeka, Kansas 66612

Dear Representative Sutton:

SUBJECT: Fiscal Note for HB 2602 by House Committee on Insurance

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2602 is respectfully submitted to your committee.

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. HB 2602 would allow taxpayers to subtract the amount contributed to a portable benefit plan by either a hiring party taxpayer or independent contractor from income for Kansas income tax purposes beginning in tax year 2027, as long as those contributions are not already deducted on the federal return. The bill includes definitions of a bank, hiring party, independent contractor, portable benefit plan, and portable benefit plan provider.

Estimated State Fiscal Effect			
	FY 2026	FY 2027	FY 2028
Expenditures			
State General Fund	--	\$84,200	--
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Expenditures	--	\$84,200	--
Revenues			
State General Fund	--	(\$3,100,000)	(\$10,400,000)
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Revenues	--	(\$3,100,000)	(\$10,400,000)
FTE Positions	--	--	--

The Department of Revenue estimates that HB 2602 would decrease State General Fund revenues by \$3.1 million in FY 2027 and by \$10.4 million in both FY 2028 and FY 2029. To formulate these estimates, the Department reviewed data on independent contractors from the U.S. Bureau of Labor Statistics. As of December, Kansas was reported to have a total employment of 1.5 million workers, and independent contractors make up approximately 7.1 percent of the Kansas workforce and earn a median full-time wage of \$949 per week. If half of Kansas independent contractors put 7.0 percent of their earnings into a portable benefit plan to cover life insurance, \$185.5 million in contributions would be newly deductible. Using an effective tax rate of 5.58 percent, the bill would reduce state income tax collections by approximately \$10.4 million per year. The estimate for FY 2027 includes 30.0 percent of tax year 2027 tax liability. The estimate for FY 2028 includes 70.0 percent of tax year 2027 tax liability and 30.0 percent of tax year 2028 tax liability.

The Department indicates that the bill would require \$84,200 from the State General Fund in FY 2027 to implement the bill and to modify the automated tax system. 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 2602 is not reflected in *The FY 2027 Governor's Budget Report*.

Sincerely,



Adam C. Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Kyle Strathman, Department of Insurance