

February 12, 2026

The Honorable Sean Tarwater, Chairperson
House Committee on Commerce, Labor and Economic Development
300 SW 10th Avenue, Room 346-S
Topeka, Kansas 66612

Dear Representative Tarwater:

SUBJECT: Fiscal Note for HB 2757 by House Committee on Commerce, Labor and Economic Development

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2757 is respectfully submitted to your committee.

HB 2757 would discontinue the following tax credits, beginning in tax year 2026:

1. Agritourism liability insurance credit;
2. Employer health insurance contribution credit;
3. Assistive technology contribution credit;
4. Regional foundation credit;
5. Biomass-to-energy plant tax credit and deduction;
6. Disabled access credit;
7. Alternative fuel tax credit;
8. Swine facility improvement credit;
9. Abandoned well plugging credit;
10. Petroleum refinery credit;
11. Carbon dioxide capture and sequestration tax deduction;
12. Electric cogeneration facility credit and deduction;
13. Storage and blending equipment credit and deduction;
14. Friends of Cedar Crest Association credit; and
15. Environmental compliance credit.

Under current law, businesses that participate in the High Performance Incentive Program (HPIP) are required to pay their employees 1.5 times the overall aggregate average wage of the state. The bill would reduce the wage requirement to 125.0 percent of the overall aggregate

average wage of the state for metropolitan counties, and for all nonmetropolitan counties the wage requirement would be 125.0 percent of aggregate average wage in all nonmetropolitan counties. The bill makes other changes to the HPIP tax credit including allowing certain corporations to transfer 100.0 percent of their unused HPIP tax credits. These changes would apply to tax year 2026.

Under current law, the Angel Investor Tax Credit offers investors that make qualified cash investments in qualified Kansas businesses a 50.0 percent state income tax credit, and the total amount of these tax credits are capped at \$8.0 million in tax year 2026. The bill would extend the sunset for this tax credit from tax year 2026 to tax year 2031.

Under current law, the income tax credit for graduates of aerospace and aviation-related educational programs and their employers will sunset after tax year 2026. HB 2464 would remove the sunset date. The bill would also remove outdated language from previous tax years.

Estimated State Fiscal Effect			
	FY 2026	FY 2027	FY 2028
Expenditures			
State General Fund	--	\$135,140	--
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Expenditures	--	\$135,140	--
Revenues			
State General Fund	--	--	(\$170,100,000)
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Revenues	--	--	(\$170,100,000)
FTE Positions	--	--	--

The Department of Revenue estimates that HB 2757 would have not have fiscal effect on State General Fund revenues in FY 2027. The Department indicates that repealing the unused tax credits and deductions in the bill are not estimated to have a fiscal effect because they are currently unused. The estimated fiscal effect by specific tax policy change would be as follows:

<u>Tax Changes (SGF)</u>	<u>FY 2028</u>	<u>FY 2029</u>
Aviation Extension	(\$8,200,000)	(\$8,200,000)
Angel Investor Extension	(8,000,000)	(8,000,000)
<u>HPIP Changes</u>	<u>(153,900,000)</u>	<u>(153,900,000)</u>
Total SGF	(\$170,100,000)	(\$170,100,000)

To formulate the estimates on extended the aviation and aerospace tax credits, the Department of Revenue reviewed data on these credits that were allowed against tax liability in tax years 2023 and 2024. That data showed that an average of \$8.2 million in tax credits were claimed in those tax years. Extending the sunset date would allow new tax credits to be claimed beginning in tax year 2027 or FY 2028.

To formulate the estimates on extended the Angel Investor tax credit, the Department of Revenue reviewed data on this Program from previous tax years. The Department estimates that the full \$8.0 million in tax credits would be claimed in each tax year. The Department indicates that the bill would have no fiscal effect on its operations.

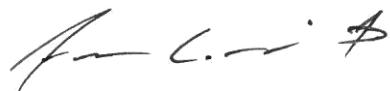
The Department of Commerce indicates that it is currently responsible for administering the Angel Investor Tax Credit Program. The Governor's budget includes continuing funding for this program in FY 2027 to review applications from qualified investors and qualified businesses. The Department indicates that the administrative costs associated with extending the sunset date for Angel Investor Tax Credit Program would be accomplished within existing staff levels and resources.

To formulate the estimates on expanding the HPIP program, the Department of Revenue reviewed data from the U.S. Bureau of Labor Statistics. By lowering the wage requirements, the Department estimates that this would increase HPIP eligibility by 98.0 percent. For tax year 2023, \$156.7 million in tax credits were allowed against tax liability through HPIP, under this expansion an additional \$153.9 million credits would be allowed. This expansion would be available for tax year 2026 with the first impact being seen in FY 2028.

The Kansas Department of Insurance indicates that if insurance companies claim additional HPIP tax credits, it would reduce insurance premiums taxes collections that are distributed to the State General Fund. The Insurance Department indicates that the costs to implement the bill would be negligible and could be absorbed within existing resources.

The Department indicates that the bill would require \$135,140 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 2757 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
Sherry Rentfro, Department of Commerce
Kyle Strathman, Department of Insurance