

February 27, 2026

The Honorable Adam Smith, Chairperson
House Committee on Taxation
300 SW 10th Avenue, Room 346-S
Topeka, Kansas 66612

Dear Representative Smith:

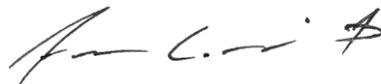
SUBJECT: Fiscal Note for HB 2773 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2773 is respectfully submitted to your committee.

HB 2773 would require all business income from certain alcoholic liquor manufacturers to be apportioned by multiplying the business income by the single sales factor beginning on January 1, 2027. To move to the single sales factor, an alcoholic liquor manufacturer would be required to have the value of real and tangible personal property owned or rented that exceeds \$5.0 million and the property is used in Kansas during the tax year and to have paid total compensation in Kansas that exceeds \$2.0 million during the tax year. Alcoholic liquor manufacturers not meeting both the property and compensation requirements would continue to use three-factor apportionment. The Department of Revenue would have the authority to adopt rules and regulations to implement the bill.

The Department of Revenue is unable to provide an estimate of the fiscal effect of HB 2773 because of confidentiality concerns. The Department indicates that fewer than five taxpayers would meet the property and compensation requirements of the bill. It cannot be determined whether switching specific taxpayers to single factor apportionment would significantly increase or decrease tax liability. 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 2773 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