Division of the Budget
Landon State Office Building
900 SW Jackson Street, Room 504
Topeka, KS 66612

Kansas
Division of the Budget

Phone: (785) 296-2436
adam.c.proffitt@ks.gov
http://budget.kansas.gov

Adam C. Proffitt, Director

Laura Kelly, Governor

February 11, 2025

The Honorable Larry Alley, Chairperson
Senate Committee on Commerce
300 SW 10th Avenue, Room 159-S
Topeka, Kansas 66612

Dear Senator Alley:

SUBJECT: Fiscal Note for SB 227 by Senate Committee on Commerce

In accordance with KSA 75-3715a, the following fiscal note concerning SB 227 is respectfully submitted to your committee.

SB 227 would make changes to the percentage and amount of qualified expenditures based on population for the historic structures tax credit. The bill would change the tax credit amounts beginning in tax year 2025 based on population and qualified expenditures as follows:

1. 25.0 percent tax credit for a structure located in located in a city with a population over 50,000 with qualified expenditures of at least $5,000 but not more than $50,000;

2. 40.0 percent tax credit for a structure located in located in a city with a population over 50,000 with qualified expenditures of at least $50,000;

3. 40.0 percent tax credit for a structure located in located in a city with a population less than 50,000 with qualified expenditures of at least $5,000; and

4. 40.0 percent tax credit for a structure which is exempt from income taxation from a non-profit organization with qualified expenditures of at least $5,000.

| Estimated State Fiscal Effect | | | |
|---|---|---|---|
| | FY 2025 | FY 2026 | FY 2027 |
| Expenditures | | | |
| State General Fund | -- | $5,400 | -- |
| Fee Fund(s) | -- | -- | -- |
| Federal Fund | -- | -- | -- |
| Total Expenditures | -- | $5,400 | -- |
| Revenues | | | |
| State General Fund | -- | ($600,000) | ($1,900,000) |
| Fee Fund(s) | -- | -- | -- |
| Federal Fund | -- | -- | -- |
| Total Revenues | -- | ($600,000 | ($1,900,000) |
| FTE Positions | -- | -- | -- |

The Department of Revenue estimates that SB 227 would decrease State General Fund revenues by $600,000 in FY 2026, $1.9 million in FY 2027, and $3.1 million in FY 2027. To formulate these estimates, the Department of Revenue reviewed data on historic structures tax credit. The Department reviewed projects that were previously awarded 30.0 percent tax credits that would now be increased to 40.0 percent under the provisions of the bill. Projects that remained at 25.0 percent tax credits could not be identified from available data, but it is expected that most of these projects would be increased to 40.0 percent. The Department estimates the bill would increase the total tax credits by $3.7 million a year and the Department assumes that one third would be allowed against tax liability in the same year and the remaining portion of carryforwards will be used over the next two years.

The Department of Revenue indicates that the bill would require $5,400 from the State General Fund in FY 2026 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.

The Insurance Department indicates that insurance companies have claimed over $30.0 million in historic structures tax credits over the last five years and except for a couple years the amount of tax credits have grown each year. If insurance companies claim this tax credit, then it would reduce insurance premiums taxes collections that are distributed to the Start General Fund (99.0 percent) and the Insurance Service Regulation Fund (1.0 percent). The Insurance Department indicates that the costs to implement the bill would be negligible and could be absorbed within existing resources.

The State Historcal Society indicates that it is currently responsible for administering the historic structures tax credit. The agency indicates that the changes to the historic structures tax credit amounts may encourage additional applications for these tax credits; however, the agency does not anticipate immediate changes to agency workload. Any fiscal effect associated with SB 227 is not reflected in *The FY 2026 Governor's Budget Report*.

Sincerely,

Adam C. Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Kyle Strathman, Insurance Department
Matthew Chappell, Historical Society