

January 27, 2025

The Honorable Mike Thompson, Chairperson
Senate Committee on Federal and State Affairs
300 SW 10th Avenue, Room 144-S
Topeka, Kansas 66612

Dear Senator Thompson:

SUBJECT: Fiscal Note for SB 39 by Senate Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning SB 39 is respectfully submitted to your committee.

SB 39 would establish the Kansas Legal Tender Act that would allow specie to be used as legal tender in Kansas. Specie is defined as coins having gold and silver content or certain gold and silver bullion that is coined, stamped, or imprinted with its weight and purity. Specie legal tender in Kansas would consist of specie coins issued by the federal government or any other specie designated as legal tender by a court order. The bill does not allow specie or legal tender to be characterized as personal property for taxation or regulatory purposes. The exchange of one type or form of legal tender for another type or form of legal tender would not be a taxable event. The bill would not allow someone to compel another person to accept gold and silver coins in payment. The Attorney General would be required to enforce the Act without prejudice to any private right of action and the Kansas courts would require specific performance as a remedy for breach of any contract designating a type or form of specie as tender.

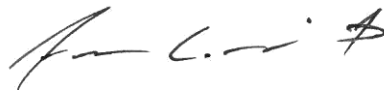
Calculations for Kansas income taxes are based on the Kansas adjusted gross income, which is calculated by adding or subtracting certain types of income from the amount of federal adjusted gross income. The bill would allow a subtraction modification for any capital gain from the sale of specie except the sale of specie as a taxable distribution from any retirement plan account that holds specie. The subtraction modification would be available to taxpayers beginning in tax year 2025.

The Department of Revenue indicates SB 39 would decrease State General Fund revenues by \$200,000 in FY 2026 and \$200,000 in FY 2027. Data on the volume of gold and silver sales in Kansas is not available. Based on the fiscal notes of similar legislation proposed in other states

and adjusted for Kansas' population, it is expected that the impact for Kansas would be a decrease of approximately \$200,000 per year. According to the Department of Revenue, updating the automatic tax system would cost \$420 from the State General Fund in FY 2026.

The Attorney General's Office indicates that the bill gives it the authority to enforce the Act, but it is unclear what type of enforcement action would be needed. If the bill would require the Office hire a 1.00 FTE Investigator position to review matters related to the Act, then it would require \$74,245 from the State General Fund in FY 2026. The estimated costs for FY 2026 include \$60,839 for the salaries and benefits for the new position and \$13,406 for workstation setup and office supplies. The Office of Judicial Administration indicates the fiscal effect on expenditures would likely be negligible for the Judicial Branch. Any fiscal effect associated with SB 39 is not reflected in *The FY 2026 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", with a stylized flourish at the end.

Adam C. Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Matt Bingesser, Office of the Attorney General
Trisha Morrow, Judiciary