

February 5, 2025

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
300 SW 10th Avenue, Room 548-S
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 69 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 69 is respectfully submitted to your committee.

Under current law, the Rural Opportunity Zones Program offers individuals who relocate to a county that has been designated as a Rural Opportunity Zone the opportunity to participate in a Student Loan Forgiveness Program through FY 2026 and receive a 100.0 percent state income tax credit through tax year 2026. SB 69 would extend the sunset for the Student Loan Forgiveness Program to FY 2031 and extend the sunset on the income tax credit to tax year 2031. The bill would also extend annual reporting requirements to the Senate Committee on Assessment and Taxation and the House Committee on Taxation that includes how many residents applied for this tax credit.

The Department of Revenue estimates that SB 69 would not have a fiscal effect until tax year 2027 or FY 2028. The Department estimates that individuals would claim approximately \$2,875,656 in tax credits in FY 2028, which would decrease State General Fund revenues by that same amount. Similar results are expected in FY 2029 through FY 2032. To formulate these estimates, the Department reviewed Rural Opportunity Zone Tax Credits from tax years 2021, 2022 and 2023. Using an average of those three tax years and accounting for a 10.0 percent increase in tax credit usage, the bill is estimated to reduce State General Fund revenues by \$2,875,656 in tax year 2027 or FY 2028.

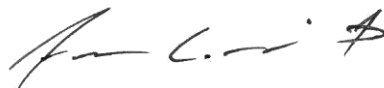
The Department of Revenue indicates that it would require a total of \$1,500 from the State General Fund in FY 2026 to implement the bill and to modify the automated tax system. The required programming for this bill by itself would be performed by existing staff of the Department

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 Department of Commerce indicates that it is currently responsible for administering the student loan forgiveness component of the Rural Opportunity Zones Program. For FY 2026, the Department's budget, included in *The FY 2026 Governor's Budget Report*, has \$1,061,308 from the Economic Development Initiatives Fund to fund the obligations of the student loan forgiveness component of the Rural Opportunity Zones Program, including 1.00 FTE position to manage this program. The Department estimates that similar funding and the 1.00 FTE position would be needed in future fiscal years to continue to manage this program. Any fiscal effect associated with SB 69 is not reflected in *The FY 2026 Governor's Budget Report*.

The Kansas Association of Counties indicates that the bill would increase expenditures for counties that choose to participate in the Student Loan Forgiveness Program. However, the expenditure would vary by county and level of participation in this program. The Association indicates that these costs could be offset by increases in property and sales tax from an increase in residents.

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
Sherry Rentfro, Department of Commerce
Jay Hall, Kansas Association of Counties