

SESSION OF 2025

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2119

As Amended by House Committee on
Commerce, Labor and Economic Development

Brief*

HB 2119, as amended, would discontinue the Kansas Affordable Housing Tax Credit Act subsequent to the 2025 Qualified Allocation Plan.

The bill would prohibit the Kansas Housing Resources Corporation (KHRC) from accepting applications for the 4 percent low-income housing tax credit after August 15, 2025, and approving any applications for such credit after November 14, 2025.

The bill would prohibit KHRC from accepting any applications for the 9 percent low-income housing tax credit after May 23, 2025, and approving any applications for such credit after August 8, 2025.

Any such credit awarded before July 1, 2025, and the 2025 Qualified Allocation Plan, would continue to apply through the credit period and any applicable carry-forward period.

Background

The bill was introduced by House Committee on Commerce, Labor and Economic Development at the request of Representative Tarwater.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <https://klrd.gov/>

House Committee on Commerce, Labor and Economic Development

Opponent testimony was provided by representatives of the City of Topeka, Advance Capital, Kansas Action for Children, Kansas Bankers Association, Kansas Economic Development Alliance, Kansas Housing Association, Kansas Interfaith Action, Sugar Creek Capital, The Prime Company, and United Community Services of Johnson County. The opponents generally stated the bill would reduce the amount of housing being built in Kansas and the associated jobs and would hinder workforce development.

Written-only opponent testimony was provided by representatives of the cities of Garden City, Lawrence, and Salina; AMD Partners; Boutique Retirement Clubs; Commonwealth Development Corporation of America; Community Housing of Wyandotte County; EmberHope; Enterprise Community Partners; Health Forward Foundation; Hutchinson/Reno County Chamber of Commerce; Jones Gilliam Renz Architects, Inc.; Kansas Statewide Homeless Coalition; Lawrence Chamber of Commerce; Lawrence-Douglas County Public Health; LISC Greater Kansas City; Marian Group; MCP Group; Mennonite Housing; Overland Construction Group; Overland Property Group; Raymond James; Red Stone Equity Partners; Salina Chamber of Commerce; SENT, Inc.; Southwest Kansas Coalition; Thrive Allen County; and Wheatland Investments Group; and by a private citizen.

Neutral testimony was provided by representatives of the KHRC and League of Kansas Municipalities. The testimony generally stated the bill would take away credits that have been awarded as the bill is currently written.

No other testimony was provided.

The House Committee amended the bill to include the credits awarded under the 2025 Qualified Allocation Plan.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, KHRC indicates that it has issued \$56.5 million in Affordable Housing Tax Credit allocations to the owners of qualified developments since the program began in 2023. KHRC indicates that there is usually at least a two-year lag before a qualified project receives its tax credit allocation and when the qualified project is complete and receives its allocation certificate. KHRC estimates that approximately \$2.1 million of all qualified projects would receive the allocation certificate before the July 1, 2025, deadline in the bill. KHRC has reviewed current project completion plans from qualified projects and estimates that approximately \$12.6 million in qualified projects would receive allocation certificates in tax year 2026 (FY 2027), \$41.3 million in tax year 2027 (FY 2028), and \$15.2 million in tax year 2028 (FY 2029). Under current law, there would also be additional qualified projects that would be completed beginning in tax year 2027 (FY 2028). Approved projects can claim the tax credit amount for the next ten years.

The Department of Revenue (Department) reviewed data from the KHRC and estimates that discontinuing the Kansas Affordable Housing Tax Credit on July 1, 2025, would increase State General Fund (SGF) revenues by \$12.6 million in FY 2027, \$41.3 million in FY 2028, and \$69.1 million in FY 2029. The Department analysis factors in new qualified projects that would have been completed in the future and the \$2.1 million from qualified projects that would receive the allocation certificate before the July 1, 2025, deadline, allowing them to claim these tax credits beginning in tax year 2025 (FY 2026) and in the next nine tax years.

The Department indicates the bill would require \$39,400 from the SGF 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 Department staff. 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 enactment of the bill is not reflected in *The FY 2026 Governor's Budget Report*.

Kansas affordable housing tax credit; Kansas Housing Resources Corporation; federal low-income housing tax credit; housing