

February 17, 2015

The Honorable Marvin KleeB, Chairperson  
House Committee on Taxation  
Statehouse, Room 185-N  
Topeka, Kansas 66612

Dear Representative KleeB:

**SUBJECT:** Fiscal Note for HB 2298 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2298 is respectfully submitted to your committee.

Under current law, the Rural Opportunity Zones Program offers individuals who relocate from outside the state to a county that has been designated as a Rural Opportunity Zone the opportunity to participate in a student loan forgiveness program and receive a 100.0 percent state income tax credit. HB 2298 would remove the sunset for the student loan forgiveness program that is set to expire after FY 2016, and the income tax credit that is set to expire after tax year 2016.

The Department of Revenue indicates that the tax credit component of HB 2298 would not affect State General Fund revenue in FY 2016 or FY 2017. The bill would authorize new qualifying individuals to claim the income tax credit for five years beginning in tax year 2017, which would not affect State General Fund revenue until FY 2018. The Department of Revenue indicates that \$560,000 in Rural Opportunity Zone tax credits were claimed in tax year 2013. Assuming similar results in the future years, the bill would reduce State General Fund revenues by approximately \$600,000 per fiscal year.

The Department of Commerce indicates that it is currently responsible for administering the Rural Opportunity Zones Program. The Department of Commerce indicates that eliminating the sunset for the student loan forgiveness component of HB 2298 would not have a fiscal effect until FY 2017. The Governor's budget includes continuing funding for this program in FY 2017. The student loan forgiveness program had 376 approved applications in FY 2014. Expenditures for the student loan forgiveness program are shared equally by the state and the county, the state share of this program is approximately \$1.0 million per fiscal year and is funded from the Economic Development Initiatives Fund. Counties are required to opt in for the county to participate in the student loan forgiveness program. The Department of Commerce indicates that the growth in expenditures for the student loan forgiveness and the income tax credits are expected to stabilize in FY 2018, as the first round of applicants would have completed their five

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year benefit schedule and would not receive additional payments or credits. However, the amount may be significantly higher or significantly lower depending on the level of participation by each county that has been designated as a Rural Opportunity Zone. The Department indicates that the administrative costs associated with reviewing additional applications from individuals that are proposing to move to a new Rural Opportunity Zone proposed in the bill could be absorbed within existing staff levels and resources. The fiscal effect associated with HB 2298 is reflected in *The FY 2016 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.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,  
Director of the Budget

cc: Jack Smith, Department of Revenue  
Dan Lara, Commerce  
Melissa Wangemann, Association of Counties