

March 30, 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 2405 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2405 is respectfully submitted to your committee.

Under current law, the Angel Investor Tax Credit offers investors that make qualified cash investments in certain Kansas businesses to receive a 50.0 percent state income tax credit. HB 2405 would extend the sunset for the Angel Investor Tax Credit from tax year 2016 to tax year 2021.

The Department of Revenue indicates that HB 2405 would not affect State General Fund revenues in FY 2016 or FY 2017. The bill would allow qualified investors to claim the Angel Investor Tax Credit for an additional five years beginning in tax year 2017, which would not affect State General Fund revenue until FY 2018. The Department indicates that the amount of Angel Investor Tax Credits that can be claimed is capped at \$6.0 million per tax year. The Department indicates that an average of \$4.2 million of Angel Investor Tax Credits was claimed each year from tax year 2008 through tax year 2012. Assuming similar results in future tax years, the bill would reduce State General Fund revenues by approximately \$4.2 million in each fiscal year from FY 2018 through FY 2022.

The Department of Revenue indicates that the bill would require \$2,322 from the State General Fund in FY 2017 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. However, 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, 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 Angel Investor Tax Credit Program. The bill would require the Department to review new

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applications from qualified investors and qualified businesses beginning in tax year 2017, which covers the last half of FY 2017 and the first half of FY 2018. The Governor's budget includes continuing funding for this program in FY 2017. The Department indicates that the administrative costs associated with reviewing applications from qualified investors and qualified businesses would be absorbed within existing staff levels and resources. The fiscal effect associated with HB 2405 is reflected in *The FY 2016 Governor's Budget Report*.

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, KDOR
Dan Lara, Commerce