SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2753

<u>As Amended by House Committee on Taxation</u>

Brief*

HB 2753, as amended, would require the Kansas Department of Commerce, Kansas Department of Revenue, and Kansas Insurance Department to periodically present to the appropriate Senate and House committees a review of certain tax credits, incentives, and sales tax exemptions.

Kansas Department of Commerce Review Schedule

The bill would require the Secretary of Commerce, on or before February 1 of each year, to present to the Senate Committee on Commerce and the House Committee on Commerce, Labor and Economic Development a review of the following tax credits, incentives, and sales tax exemptions, by year:

- In 2019, Sales Tax and Revenue (STAR) Bonds (as authorized in KSA 2017 Supp. 12-17,16 *et seq.*); the High Performance Incentive Program (KSA 74-50,131); and venture capital investment credits (KSA 74-8206 and KSA 74-8304);

- In 2020, the Promoting Employment Across Kansas Act (KSA 2017 Supp. 74-50,210 *et seq.*); Job Creation Fund expenditures (KSA 2017 Supp. 74-50,224); venture capital investment credits (KSA 74-8316); and local seed capital pool investment credits (KSA 74-8404); and

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*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 http://www.kslegislature.org

- In 2021, Rural Opportunity Zone credits (KSA 2017 Supp. 74-50,222 and KSA 2017 Supp. 79-32,267); Angel Investor Tax Act credits (KSA 2017 Supp. 74-8131 *et seq.*); and Individual Development Account Program credits (KSA 2017 Supp. 74-50,2018).

Kansas Department of Revenue Review Schedule

The bill would require the Secretary of Revenue, on or before February 1 of each year, to present to the Senate Committee on Assessment and Taxation and the House Committee on Taxation a review of the following tax credits, incentives, and sales tax exemptions, by year:

- In 2019, the Adoption Credit (as authorized in KSA 2017 Supp. 79-32,202a); the Earned Income Tax Credit (KSA 2017 Supp. 79-32,205); the Research and Development Credit (KSA 2017 Supp. 79-32,182b); and property tax exemptions;

- In 2020, the Business and Job Development Credit (KSA 79-32,153); the Historic Preservation Credit (KSA 2017 Supp. 79-32,211); the Film Production Credit (KSA 2017 Supp. 79-32,211); and sales tax exemptions;

- In 2021, the Community Service Contribution Credit (KSA 79-32,197); the Environmental Compliance Credit (KSA 2017 Supp. 79-32,222); the Assistive Technology Contribution Credit (KSA 65-7107); and the Low-Income Student Scholarship Credit (KSA 2017 Supp. 72-4357); and

- In 2022, the tax credit on food purchases (KSA 2017 Supp. 79-32,271); the Telecommunications Property Tax Credit (KSA 2017 Supp. 79-32,271); and the Higher Education Differed Maintenance Credit (KSA 2017 Supp. 79-32,261).

Kansas Insurance Department Review Schedule

The bill would require the Commissioner of Insurance, on or before February 1 of each year, to present to the Senate Committee on Financial Institutions and Insurance and the House Committee on Insurance a review of the following tax credits, incentives, and sales tax exemptions, by year:

- In 2019, employee salary credits (as authorized in KSA 40-252d); business investment credits (KSA 2017 Supp. 40-252f); and the Insurance Department Service Regulation Fund Credit (KSA 40-112);

- In 2020, the Health Insurance Association Assessment Credit (KSA 40-2121); the Small Insurance Business Credit (KSA 40-242e); and the Property and Casualty Insurance Guaranty Association Credit (KSA 40-2906a); and

- In 2021, the Fire Fighters Relief Fund Credit (KSA 40-252); the Fire Marshal Credit (KSA 40-252); the Life and Health Insurance Guaranty Association Credit (KSA 40-3016); and the Disabled Accessibility Credit (KSA 70-2813).

Presentation and Report Requirements

The bill would require the presentations by the Kansas Department of Commerce, Kansas Department of Revenue, and Kansas Insurance Department to include:

- A description of the incentive, its history, and its goals;

- An assessment of the incentive's design and administration; and

● An estimate of the incentive's economic and fiscal impact.

The bill would require, after the presentations by the Kansas Department of Commerce, Kansas Department of Revenue, and Kansas Insurance Department, the Senate and House committees to report to the Kansas Legislature a summary of each committee's findings, conclusions, and recommendations. The bill would require the committee reports to be published on each respective agency's website.

Background

The bill was introduced by the House Committee on Taxation at the request of Representative Gartner.

In the House Committee on Taxation hearing on March 5, Representative Gartner testified as a proponent. Representatives of the Kansas Center for Economic Growth and the Greater Topeka Chamber of Commerce submitted written-only proponent testimony.

No opponent or neutral testimony was provided.

The House Committee amended the bill to require the committee reports for the Kansas Department of Revenue, Kansas Department of Commerce, and Kansas Insurance Department presentations to be published on each respective agency's website.

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, Legislative Administrative Services (LAS) indicates the bill would have a negligible fiscal effect on LAS to produce reports to summarize each committee's findings, conclusions, and recommendations. The Kansas Department of Commerce, Kansas Department of Revenue, and Kansas Insurance Department indicate the bill would have a negligible fiscal effect on each respective agency. The Department of

Administration estimates it would require one-time State General Fund expenditures of $3,100 in FY 2018 for website development, but the one-time expense and any ongoing costs associated with enactment the bill could be absorbed with existing resources and staff levels.