

March 27, 2019

REVISED

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

Dear Representative Johnson:

SUBJECT: Revised Fiscal Note for HB 2264 by Representative Whipple

In accordance with KSA 75-3715a, the following revised fiscal note concerning HB 2264 is respectfully submitted to your committee.

HB 2264 would provide a \$500 refundable tax credit, beginning in tax year 2019 to any qualifying student who attends a public postsecondary educational institution in Kansas and is a Pell Grant recipient. The bill defines qualifying student as an individual who attends a postsecondary educational institution located in this state; and is the recipient of a Pell Grant from the U.S. Department of Education during that tax year. The Department of Revenue would have the authority to adopt rules and regulations to implement the bill.

The Kansas Board of Regents indicates HB 2264 would have no fiscal effect on the Board office or Kansas public postsecondary educational institutions. However, the Board estimates the income tax credit would reduce individual income tax revenues to the State General Fund by approximately \$23.7 million annually. The estimate is based on 47,391 Kansas students in the Regents system who received the Pell Grant during the 2017-2018 school year. The estimate assumes all of these individuals are employed and would file Kansas income taxes to receive the tax credit (47,391 students x \$500 tax credit = \$23,695,500).

The Department of Revenue indicates HB 2264 would reduce revenues to the State General Fund, but does not have sufficient information to produce a reliable estimate with respect to a resident individual who is a qualifying student. The Department indicates a hypothetical estimate would be a \$2.3 million reduction in revenues to the State General Fund. The Department indicates 76.0 percent of U.S. postsecondary education students were employed during 2017 and 2018 which would equate to 36,017 postsecondary education students in Kansas. The hypothetical

estimate assumes 38.0 percent of those students would file a Kansas tax return and, of that amount, 34.0 percent would be able to take advantage of the tax credit (36,017 students x 38.0 percent of student filers x 34.0 percent of student filers qualified for the credit x \$500 tax credit = \$2,326,698).

The Department indicates it would require a total of \$552,520 from the State General Fund in FY 2020 to hire 2.00 FTE positions 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 and outside contract programmer services. 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 HB 2264 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink that reads "L. L. Campbell". The signature is written in a cursive, flowing style.

Larry L. Campbell
Director of the Budget

cc: Kelly Oliver, Board of Regents
Lynn Robinson, Department of Revenue