

February 24, 2020

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

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2721 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2721 is respectfully submitted to your committee.

HB 2721 would extend the eligible time period for the Rural Opportunity Zone Loan Repayment Program from July 1, 2021, to July 1, 2023. Under current law, no resident could enroll or participate in the Rural Opportunity Zone Loan Repayment Program after June 30, 2021. The bill would extend the date to June 30, 2023.

The bill would also extend the sunset date for the income tax credit from January 1, 2022, to January 1, 2024. Under current law, to be eligible for the income tax credit, an individual must establish domicile in a Rural Opportunity Zone prior to January 1, 2021. The bill would extend the date to January 1, 2023.

Under current law, the Secretary of Commerce is required to report to the Senate Committee on Assessment and Taxation and the House Committee on Taxation on how many residents applied for the Rural Opportunity Zone tax credit until January 1, 2022. The bill would extend the date to January 1, 2024.

The Department of Revenue estimates that HB 2721 would decrease State General Fund revenue by approximately \$2.8 million in tax year 2022 or FY 2023. To formulate these estimates, the Department reviewed data on the Rural Opportunity Zone tax credit from tax years 2017 and FY 2018. The Department indicated that 534 taxpayers claimed \$1.7 million in tax credits in tax year 2017 or FY 2018. For tax year 2018 or FY 2019, the Department indicates that 503 taxpayers claimed \$1.9 million in tax credits. The Department estimates that the allowed tax credits for future years will increase by 10.0 percent.

The Department indicates that the bill would require \$5,315 from the State General Fund in FY 2021 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. 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.

The Department of Commerce indicates that it is currently responsible for administering the Rural Opportunity Zone Loan Repayment Program. The Governor's budget includes continuing funding for this program in FY 2021 to review applications. The Department indicates that the administrative costs associated with extending the sunset date and other changes for the Rural Opportunity Zone Loan Repayment Program would be accomplished within existing staff levels and resources. Any fiscal effect associated with HB 2721 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink that reads "L. L. Campbell". The signature is written in a cursive style with a large, stylized initial "L".

Larry L. Campbell
Director of the Budget

cc: Sherry Rentfro, Department of Commerce
Lynn Robinson, Department of Revenue