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Adam Proffitt, Director

Laura Kelly, Governor

February 19, 2021

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

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2315 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2315 is respectfully submitted to your committee.

HB 2315 would allow taxpayers to claim the Higher Education Deferred Maintenance Tax Credit for contributions to a technical college for capital improvements, deferred maintenance, or the purchase of technology or equipment. The bill authorizes a 100.0 percent refundable income tax credit for qualifying contributions beginning in tax year 2021 and continuing through tax year 2025. The bill would limit the total amount of tax credits that could be claimed to $3.5 million in any tax year, including limits of $500,000 for either a technical college or a taxpayer. The individual technical college, in consultation with the Department of Revenue, could develop a process that would allow the contributions that qualify for this tax credit to also qualify as charitable contributions allowable as deductions from federal adjusted gross income. The Department of Revenue would have the authority to adopt rules and regulations to implement the bill.

Estimated State Fiscal Effect				
	FY 2021 SGF	FY 2021 All Funds	FY 2022 SGF	FY 2022 All Funds
Revenue	--	--	($3,500,000)	($3,500,000)
Expenditure	--	--	$243,674	$234,674
FTE Pos.	--	--	--	1.00

The Department of Revenue estimates that HB 2315 would decrease State General Fund revenues by $3.5 million in FY 2022. The fiscal effect to state revenues during subsequent years would be as follows:

	FY 2023	FY 2024	FY 2025	FY 2026
State General Fund	($3,500,000)	($3,500,000)	($3,500,000)	($3,500,000)

To formulate these estimates, the Department of Revenue reviewed data on the Higher Education Deferred Maintenance Tax Credit that was last available for certain contributions to community colleges, technical colleges, or postsecondary educational institutions in tax year 2012. For the five tax years that this program was available, the Department indicates that taxpayers claimed as a few as $20,000 in tax credits in tax year 2011 and as much as $227,000 in tax credits in tax year 2010 specifically for qualified contributions to technical colleges. Because the bill allows a 100.0 percent tax credit for the qualifying contributions, the Department estimates that the full $3.5 million in allowable tax credits would be claimed in each tax year.

The Department indicates that the bill would require $234,674 from the State General Fund in FY 2022 to implement the bill and to modify the automated tax system. The bill would require the Department to hire 1.00 new FTE position to manage this tax credit program. 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 Board of Regents indicates the bill would provide an incentive for taxpayers to provide contributions to technical colleges that would be used for capital improvements, deferred maintenance, or the purchase of technology or equipment. Any fiscal effect associated with HB 2315 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,

Adam Proffitt
Director of the Budget

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