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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 2317 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2317 is respectfully submitted to your committee.

HB 2317 would create a new income tax credit for qualified alternative-fuel fueling stations for tax years 2021, 2022, and 2023. A Qualified alternative-fuel fueling station is a metered-for-fee public access recharging system for motor vehicles propelled in whole or in part by electricity. It does not include a building and its structural components and must be new and not previously installed or used to refuel vehicles by any means. The bill would allow an income tax credit of 75.0 percent of an eligible taxpayer's expenditures for placing into service a qualified alternative-fuel fueling station during the tax year. The total amount of tax credits would be capped at $4.0 million in tax year 2021, $8.0 million in tax year 2022, and $12.0 million in tax year 2023. The tax credit would be non-transferable, non-refundable, and could be carried forward for up to five tax years.

The Department of Revenue indicates HB 2317 would decrease State General Fund revenues in FY 2022, FY 2023, and FY 2024. However, the Department does not have data on the number electric charging stations that would be placed into service in tax years 2021, 2022, and 2023 to make a precise estimate of the fiscal effect. The bill caps the total tax credit amount to $4.0 million in tax year 2021, $8.0 million in tax year 2022, and $12.0 million in tax year 2023, which has the potential to reduce State General Fund revenue by $4.0 million in FY 2022, $8.0 million in FY 2023, and $12.0 million in FY 2024. Data from the Alternative Fuels Data Center shows that there are currently 431 electric charging stations with 883 charging outlets in Kansas.

The Department indicates it would require $155,084 from the State General Fund in FY 2022 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 Insurance Department indicates that the bill would also allow insurance companies to claim this new tax credit. If insurance companies claim this tax credit, then it would reduce insurance premiums taxes collections that are distributed to the Start General Fund (99.0 percent) and the Insurance Service Regulation Fund (1.0 percent). The Insurance Department indicates it would require $10,000 from the Insurance Service Regulation Fund for computer programming costs that would allow the processing of insurance premium tax returns that include this new tax credit. Any fiscal effect associated with HB 2317 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,

Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Jake Fisher, KCC
Bobbi Mariani, Insurance