Division of the Budget
Landon State Office Building
900 SW Jackson Street, Room 504
Topeka, KS 66612

Kansas
Division of the Budget

Phone: (785) 296-2436
adam.c.proffitt@ks.gov
http://budget.kansas.gov

Adam Proffitt, Director

Laura Kelly, Governor

April 5, 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 2437 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2437 is respectfully submitted to your committee.

HB 2437 would create a new refundable income tax credit for family caregivers of disabled veterans beginning in tax year 2021. The tax credit amount would be for $1,500 for family caregivers providing care for a single disabled veteran, or $3,000 for two or more disabled veterans under their care. On its public website, the Department of Revenue would be required to provide information and instruction on how to apply for the family caregivers of disabled veterans tax credit and any existing similar federal tax credit. A disabled veteran for the purposes of this tax credit would mean:

1. A former member of the Army, Navy, Air Force, Marine Corps, Space Force, Coast Guard or the reserve components of those armed services who left service with an honorable discharge or a date of medical discharge;
2. Have received a total disability rating for a service-connected disability from the United States Department of Veteran Affairs; and
3. Required six months of continuous in-person personal care.

The bill defines a family caregiver as a resident individual who is 18 years of age or older and is either a spouse, son, daughter, parent, stepfamily member, or extended family member of the disabled veteran; or an individual who lives full-time with the disabled veteran or is willing to do so if designated as a family caregiver. In order to qualify for the income tax credit, the family caregiver would be required to providing care for at least six months of continuous, in-person personal care services. The Department of Revenue would have the authority to write 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	--	--	($15,000,000)	($15,000,000)
Expenditure	--	--	$119,664	$119,664
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2437 would decrease State General Fund revenues by $15.0 million in FY 2022. The Department indicates that similar results would also occur in future fiscal years.

To formulate these estimates, the Department of Revenue reviewed veteran's disability data from the U.S. Department of Veterans Affairs. In federal fiscal year 2019, there were 19,079 Kansas veterans that had disability compensation rating between 70.0 percent and 100.0 percent, including 6,617 with a 100.0 percent disability compensation rating. Assuming 10,000 of those disabled veterans would need continuous in-person personal care for six months and are eligible for the tax credit, then $15.0 million in family caregivers of disabled veterans tax credit would be claimed in tax year 2021 or FY 2022. The Department assumes that each of these veterans are the only veteran receiving care from the family caregiver claiming the credit.

The Department of Revenue indicates that it would require a total $119,664 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 Kansas Commission on Veterans Affairs Office indicates that the bill would have no fiscal effect on its operations. Any fiscal effect associated with HB 2437 is not reflected in *The FY 2022 Governor's Budget Report*.

A provision in the federal American Rescue Plan Act of 2021 (ARP) prohibits states or territories from using the federal funds appropriated from ARP "to either directly or indirectly offset a reduction in the net tax revenue of such State or territory resulting from a change in law, regulation, or administrative interpretation during the covered period that reduces any tax (by providing for a reduction in a rate, a rebate, a deduction, a credit, or otherwise) or delays the imposition of any tax or tax increase." If the state fails to comply with this provision by implementing a reduction of net tax revenue through tax year 2024, the U.S. Treasury would be required to recoup ARP funds in the amount of the net tax revenue reduction. If ARP funds are not available, it is presumed that the State General Fund would be used to reimburse the U.S. Treasury.

Sincerely,

Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Luke Drury, Veterans Affairs