

SESSION OF 2022

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2394

As Amended by House Committee on Taxation

Brief*

HB 2394, as amended, would increase the Research and Development Activities Tax Credit from 6.5 percent to 10.0 percent and allow the credit to be claimed by all income taxpayers (current law limits the credit to corporate income taxpayers).

The bill would allow for a one-time transfer of the credit in its entirety by a taxpayer without a current tax liability. The credit would be transferable to any person and could be claimed by that person as a credit against their state income tax liability in the year of the transfer. The transferred credit would be non-refundable, but could be carried forward until fully used.

The bill would be effective for tax years commencing after December 31, 2022.

Background

The bill was introduced by the House Committee on Taxation at the request of a representative of the Kansas Department of Commerce.

House Committee on Taxation

In the House Committee hearing on the bill, **proponent** testimony was provided by representatives of the Chamber of

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Lawrence, the Greater Topeka Chamber of Commerce, and PROSOCO. The proponents generally said this bill would make research and development tax credits applicable to more types of businesses and would allow for further innovation and economic growth. Written-only proponent testimony was provided by representatives of the Greater Kansas City Chamber of Commerce, the Kansas Department of Commerce, and the Overland Park Chamber.

No other testimony was provided.

The House Committee amended the bill to make changes to date references throughout the bill.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Department of Revenue (Department) indicated passage of the bill would decrease State General Fund revenues by \$1,020,000 in FY 2022, with similar results for future fiscal years. The Department also estimated passage of the bill would increase the number of filers claiming the tax credit by 30.0 percent. The Department indicated it would need a total of \$149,383 from the State General Fund in FY 2022 to implement the bill and modify the automated tax system, as well as 1.0 new full-time equivalent position to manage the transferability of the tax credit and answer questions from taxpayers. The Department indicated additional expenditures for outside contract programmer services beyond the Department's current budget may be required if the combined effect of implementing the bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short. Any fiscal effect associated with HB 2394 is not reflected in *The FY 2022 Governor's Budget Report*.

Research and development activities tax credit