FURTHER UPDATED
SESSION OF 2022

SUPPLEMENTAL NOTE ON SENATE BILL NO. 282

As Amended by Senate Committee of the Whole

Brief*

SB 282, as amended, would create new income tax credits for graduates of certain aerospace and aviation education programs and their employers for tax years 2023 through 2027, would create a new income tax credit for teacher classroom supplies, would increase the residential property tax exemption from the statewide school finance levy, and would enact the Kansas Housing Investor Tax Credit Act (HITCA) and the Kansas Affordable Housing Tax Credit Act (AHTCA).

Aviation and Aerospace Tax Credits

The bill would allow employers whose principal business activity involves the aviation sector to receive a nonrefundable income tax credit beginning in tax year 2023 for tuition or certain program-specific course-fee reimbursements paid to a full-time "qualified employee," as defined by the bill, who has graduated from an accredited engineering or technology undergraduate or graduate degree program, an associate of applied science degree program, or a career technical program. This credit could be claimed if the qualified employee, within one year prior to or following the commencement of employment with a qualified employer, graduated from a qualified program. This credit would be capped at 50.0 percent of the total amount of tuition reimbursement paid and could be claimed each year, for up to the fourth year of employment with a qualified employer.

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*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

The bill would also create, beginning with tax year 2023, a nonrefundable tax credit for taxpayers for an amount equal to 10.0 percent of the compensation paid to qualified employees in each of the first five years of employment, not to exceed $15,000 per year. The credits could not be carried forward. For the purposes of the bill, compensation would not include benefits or reimbursable expenses.

Additionally, the bill would create, beginning with tax year 2023, a nonrefundable tax credit for taxpayers who become qualified employees during the taxable year. Employees with income tax liability less than $5,000 would be eligible to carry any unused credit forward for up to four additional tax years.

The bill would authorize the Secretary of Revenue to adopt rules and regulations to implement and administer the provisions of the bill. The Secretary of Revenue would be required to submit annual reports on the cost effectiveness of the program to the House Committee on Appropriations and the Senate Committee on Ways and Means, beginning with the 2023 Legislative Session.

No new tax credits would be issued or earned after tax year 2027.

Kansas Housing Investor Tax Credit Act

Purpose

The bill would state the purpose of HITCA is to bring housing investment dollars to communities lacking adequate housing, and that development of housing will complement economic development of rural and urban areas.

The bill would further state that the purpose of tax credits issued under HITCA is to facilitate investment in suitable housing that will support the growth of communities lacking housing by attracting new employees, residents, and families, and will support the development and expansion of businesses that are job and wealth creating enterprises.

Definitions

The bill would define:

- "Director" to mean the Director of Housing of the Kansas Development Finance Authority;
- "Cash investment" to mean money or money equivalent in consideration for qualified securities as approved by the Director;
- "Corporation" to mean the Kansas Housing Resources Corporation (KHRC);
- "Qualified housing project" to mean a project for the construction of single-family residential dwellings, including manufactured housing, modular housing, multi-family residential dwellings, or buildings that are eligible as a project under HITCA;
  - "Qualified housing project" would not mean a project eligible for low-income housing tax credits under state or federal law; and
- "Qualified securities" to mean a cash investment through any form of financial assistance, including equity, debt, or bank loans that have been approved by the Director.

The bill would also define "act," "city," "county," "Kansas investor," "manufactured home," "modular home," and "qualified investor."

Program Established

The bill would establish the HITCA within the KHRC, to be administered by the Director. The Director would be authorized to issue tax credits to qualified investors who make cash investments in qualified housing projects, and to project builders and developers. The Director would determine and issue tax credits to the projects that are most likely to provide the greatest economic benefit to and best meet the needs of the community lacking adequate housing where the project is located. The Director would be required to give priority to Kansas investors when issuing tax credits.

Application

To be designated a qualified housing project, the bill would require the project builder or developer to apply to the Director on a form approved by the Director that includes:

- The name and address of the project builder or developer, and the names of all principals or management;
- Information required by the Director if the project builder or developer is seeking tax credits for such builder's or developer's cash investment in the project;
- A project plan, including a description of the project, timeline, housing to be constructed, intended market, costs, anticipated pricing, and any other relevant information the Director may require;
- An economic impact statement for the project;
- A description of all project financing, the amount of any tax credits requested, and earliest year the tax credits may be claimed;

- The amount, timing, and projected use of the proceeds to be raised from qualified investors;

- The names, addresses, and taxpayer identification numbers (TINs) of all investors who may qualify for the tax credit, with the requirement that such list be updated when necessary; and

- Any additional information the Director may require.

Considerations

The Director would be required to consider whether a project:

- Has community support and governing body support of the city or county where the project is located;

- Will enhance the community's ability to attract new businesses or expand existing businesses by providing housing directly for employees or make housing significantly more available, or meet other significant housing needs to make the community attractive to new or expanding businesses or their employees;

- Has the financial support, management, planning, and market to be successful;

- Has had a housing needs analysis or survey provided by either the project builder or developer, or by the project's county or city governing body that supports proceeding with the proposed project;

- Has met all other requirements of the HITCA; and

- Has met such other requirements of the Director as adopted in rules and regulations.

Project Agreement

The Director, upon approval of an application, would enter into an agreement with the project builder or developer prior to issuing any tax credits. The agreement would set forth the amount of tax credits to be issued, the requirements for a cash investment, and the requirements for issuance of tax credits.

If the project builder or developer is approved for tax credits, the agreement would be required to set forth the amount of approved credits and the amount of credits remaining for issuance to other qualified investors.

The agreement would require binding commitments by the project builder or developer to the KHRC for:

- Reporting progress and financial data, including investor information;
  - The project builder or developer would be obligated to notify the Director in a timely manner of any changes in project qualifications or investor eligibility to claim a tax credit;
- The right of access to the project and financial records of the project builder or developer;
- The provision of information to be included in the economic development incentive program information database, pursuant to current law;
- Repayment requirements upon loss of designation as described in HITCA; and
- Any additional terms and conditions required by the Director.

Investment Reporting Requirements

To be eligible to receive tax credits, a qualified investor would be required to make a cash investment in the project in accordance with the project agreement. The project builder or developer would be required to promptly report to KHRC the following information:

- The name, address, and TIN of each qualified investor who has made a cash investment in qualified securities in the project and has received tax credits for this investment during any and all preceding years;
- The amounts of the cash investments by each qualified investor and a description of the qualified securities issued in consideration of such cash investments;
- The name, address, and TIN of each person the original qualified investor transferred tax credits to; and
- Any additional information as required by the Director.

Any violation of reporting requirements would be grounds for loss of the designation as a qualified housing project.

Reimbursement of Costs, Liability, Rules and Regulations

The bill would allow for reimbursement of costs related to HITCA administration, application review, and the issuance of tax credits. The reimbursement would be through fees paid by the qualified project, qualified investors or transferees of investors, according to a reasonable fee schedule adopted by the Director.

The bill would preclude the State of Kansas from being held liable for any damages to any qualified investor who makes an investment in a qualified housing project.

The bill would require the Director to provide information regarding the qualified housing projects and qualified investors to the Secretary of Revenue.

The bill would also require the Director to adopt rules and regulations as necessary to implement HITCA, and authorize the Secretary of Revenue to adopt rules and regulations as necessary to implement and administer HITCA.

Income Tax Credit

For tax year 2022 and all tax years thereafter, the bill would authorize a tax credit to be claimed against:

- Kansas income tax liability;
- The privilege tax liability imposed upon any national banking association, state bank, trust company or savings and loan company pursuant to continuing law; or
- The premium tax liability imposed upon an insurance company imposed by continuing law.

The tax credit could be claimed by:

- A qualified investor for a cash investment in a qualified housing project that has been approved and issued a tax credit by the Director;
    - The tax credit could be claimed in its entirety in the taxable year the cash investment is made; and

- A project builder or developer of a qualified housing project that has been approved and issued a tax credit by the Director.

To claim such tax credit, the qualified investor, or builder or developer, would be required to provide all information or documentation as required by the Secretary of Revenue. If the credit amount exceeds the taxpayer's tax liability in a taxable year, the remaining credit could be carried forward in the succeeding taxable years until the total credit amount is used, except that no credit could be claimed four taxable years after issuance, and any remaining credit would be forfeited.

Tax Credit Maximums

The Director would be allowed to issue tax credits as follows:

- Up to $35,000 per residential unit for qualified housing projects located in a county with a population of not more than 8,000;
- Up to $32,000 per residential unit for qualified housing projects located in a county with a population of more than 8,000 but not more than 25,000; and
- Up to $30,000 per residential unit for all other qualified housing projects.

The bill would limit a qualified housing project to a total of 40 such residential units per year for both single-family and multi-family dwellings.

The bill would allow tax credits to be issued to a qualified investor in the amount of a cash investment of up to the total amounts previously specified. Project builders or developers would be able to apply each year for tax credits for additional units or phases of a project, and qualified investors could be issued tax credits for cash investments in multiple qualified housing projects. Project builders or developers could also apply and be approved for multiple qualified housing projects in the same year.

The aggregate of tax credits that could be issued under HITCA could not exceed $18.0 million each tax year, unless the Director issues less than $18.0 million in a tax year. Under such circumstances, the unissued balance could be carried forward one tax year and be issued in addition to the annual $18.0 million. The Director would be required to allocate the following for qualified housing projects:

- Not less than $2.0 million in tax credits in counties with a population of not more than 8,000; and
- Not less than $2.0 million in tax credits in counties with a population of more than 8,000 but not more than 25,000.

Date of Cash Investment Acquisition

The bill would specify that a cash investment in a qualified housing project is considered made on the date the qualified security is acquired, as determined by the Director.

Transferable Tax Credit

The bill would allow a qualified investor who receives a tax credit under HITCA but does not reasonably anticipate owing any such tax for the current taxable year to acquire a transferable tax credit, limited to the amount of the credit issued to the qualified investor. This tax credit could be transferred to any person and claimed as a credit against the recipient's Kansas tax liability in the same manner as the transferor, including carrying the tax credit forward. The tax credit could only be transferred one time, and would have to be for the full amount of the tax credit, but could not include any interest.

The taxpayer claiming such credit would be responsible for providing documentation verifying the acquisition to the Secretary of Revenue. The transferor of the credit would be required to provide the Director and the Secretary of Revenue with the name, address, TIN, and other information as required of each transfer recipient.

Loss of Designation

If the Director would determine a project is not in substantial compliance with HITCA or the project agreement, the Director must inform the project builder or developer in writing that the project will lose designation as a qualified housing project in 120 days from the date of mailing, unless the project is brought into compliance.

If the project is still noncompliant after the 120-day period, the Director must send a notice of loss of designation to the project builder or developer, the Secretary of Revenue, and all known qualified investors. Loss of designation would preclude the issuance of any additional tax credits for the project, and the Director could not approve any subsequent application for the project to be a qualified housing project.

Upon loss of the designation as a qualified housing project, the project builder or developer would be required to repay any tax credits they have claimed. Qualified investors would not have their tax credits disallowed solely due to the project losing its designation as a qualified housing project.

Annual Report

The bill would require the Director to transmit a report annually to the Governor, the Senate Committee on Commerce, and the House Committee on Commerce, Labor and Economic Development. The bill would require the report to be based upon information received from each qualified housing project issued tax credits during the preceding tax year and would be required to describe the following:

- How the purpose of the HITCA has been carried out;
- The total cash investments made for qualified securities in qualified housing projects during the preceding tax year and cumulatively;
- An estimate of jobs facilitated by housing developed under HITCA;
- An estimate of the multiplier effect on the Kansas economy of the investments;
- The amount of tax credits claimed in the previous fiscal year;
- A general description of the investors that benefited from the tax credits; and
- Any aggregate job creation or capital investment in Kansas resulting from the tax credits for the preceding five years.

The bill would require the report to be transmitted on or before January 31, 2023, and on or before January 31 of each year thereafter.

Director Review

The bill would require the Director to annually review activities under HITCA to ensure tax credits issued pursuant to HITCA are done in compliance with HITCA and adopted rules and regulations.

Kansas Affordable Housing Tax Credit Act

The bill would also establish the Kansas Affordable Housing Tax Credit Act (AHTCA).

Definitions

The bill would define:

- “Credit” to mean the affordable housing tax credit allowed pursuant to AHTCA;
- “Pass-through” entity” to mean any limited liability company, limited partnership, or limited liability partnership;
- “Qualified allocation plan” to mean the qualified allocation plan adopted by KHRC pursuant to Section 42(m) of the federal Internal Revenue Code (IRC);
- “Qualified development” to mean a qualified low-income housing project as defined in Section 42 of the federal IRC that is located in Kansas and determined by KHRC to be eligible for a federal tax credit; and
- “Qualified taxpayer” to mean an individual, person, firm, corporation, or other entity owning an interest in a qualified development and subject to applicable Kansas taxes.

The bill would also define “act,” “allocation certificate,” “credit period,” “director,” “federal tax credit,” “KHRC,” and “pass-through certification.”

Tax Credit Authorized

For tax year 2023 and all tax years thereafter, the bill would authorize a tax credit to be claimed against:

- Kansas income tax liability;
- The privilege tax liability imposed upon any national banking association, state bank, trust

company or savings and loan company pursuant to continuing law; or

- The premium tax liability imposed upon an insurance company pursuant to continuing law.

The tax credit would be for each qualified development for each year of the credit period in an amount equal to the federal tax credit allocated or allowed by the KHRC to such qualified development. The bill would not allow a reduction in the credit allowable in the first year of the credit period due to the calculation in Section 42(f)(2) of the IRC.

The KHRC would be required to issue an allocation certificate to an owner of a qualified development receiving a credit under AHTCA, to be issued simultaneously with issuance of federal form 8609, related to federal tax credits.

The bill would require all allocations to be made pursuant to the qualified allocation plan.

Pass-Through Entities

The bill would allow pass-through entities that are owners of a qualified development and receiving a tax credit under AHTCA to allocate the credit among its partners or members in any manner agreed upon. The bill would allow the tax credit to be allocated through any number of pass-through tiers and entities, none of which would be considered a transfer.

The bill would require any pass-through entity allocating a credit to its partners or members to attach a pass-through certification to its annual tax return. Each partner or member would be allowed to claim or further allocate such amount pursuant to any restrictions in the AHTCA.

Each qualified development owner and taxpayer receiving a tax credit or portion of such credit would be required to file with their state income, privilege, or premium tax return a copy of the allocation certificate issued by KHRC and a copy of any pass-through certification as prescribed by the Director of Taxation.

Restrictive Covenants

To receive a tax credit under AHTCA, the bill would require the qualified development to be the subject of a restrictive covenant requiring the development:

- Be maintained and operated as a qualified development; and
- Be in accordance with accessibility and adaptability requirements of the federal tax credits and Title VIII of the federal Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988.

The covenant would be required for a period of 15 years, or such longer period as may be agreed upon by KHRC and the qualified development owners.

Credits Carried Forward

The bill would allow any credit amount in excess of the taxpayer's tax liability to be carried forward as a credit against their subsequent year tax liability for up to 11 tax years. The tax credit would be applied first to the earliest years possible. Any unused tax credit amount would not be refunded to the taxpayer.

Eligibility Determination

The bill would require the KHRC to determine eligibility for a tax credit, and to allocate credits in accordance with Section 42 of the federal IRC. The bill would require any combination of federal tax credits and AHTCA tax credits be the least amount necessary to ensure the qualified development's financial feasibility.

Credits Subject to Recapture

The bill would require the recapture of a portion of any credits authorized under AHTCA if a portion of any federal tax credits taken on a qualified development is recaptured or otherwise disallowed. The percentage of AHTCA credits to be recaptured would be equal to the percentage of federal credits subject to recapture or otherwise disallowed. The recapture or disallowance of credits would increase the tax liability of the qualified taxpayer claiming the credits for the taxable year the recapture or disallowance event is identified.

Rules and Regulations

The bill would authorize the KHRC and the Director of Taxation, in consultation with each other, to promulgate rules and regulations necessary to administer AHTCA.

Annual Report

The bill would require KHRC, in consultation with the Director of Taxation, to monitor and oversee compliance with AHTCA and to report any noncompliance to the Director of Taxation.

KHRC would be required to submit a written report to the legislature on or before December 31 of each year including:

- The number of qualified developments allocated credits during the allocation year and the total number of units supported by each development;
- A description of each qualified development, including the geographic location, household type, any specific demographic and income information about residents served, and the rents or set-asides authorized for each development; and

- Housing market and demographic information that demonstrates how the qualified developments are addressing the need for affordable housing in the communities, including any remaining disparities in the community's affordable housing.

Teacher Classroom Supplies Tax Credit

The bill would create an individual income tax credit for public or private school teachers residing in Kansas equal to the taxpayer's expenditures for school and classroom supplies during the tax year.

The credit would be effective beginning in tax year 2022 and would be limited to $250 per year.

Homestead Property Tax Refund Claims

The bill would provide for refund claims to be paid to claimants for the amount by which the claimant's residential property tax exceeds the amount of the claimants property tax in the claimant's base year.

The bill would define "base year" to be the year in which the claimant becomes eligible for a refund under the provisions, or 2021, whichever is later. If a claimant would become ineligible for a refund, the claimant would later establish a new base year if the claimant would later again be eligible for a refund.

Claimants would be required to be at least 65 years old or a disabled veteran, reside in a homestead with an appraised value of $350,000 or less for the entire year, and have a household income of $50,000 or less. The $50,000 amount would be annually adjusted by the cost of living adjustment in Section 1(f)(3) of the IRC. Surviving spouses of eligible claimants would continue to be eligible unless they remarry.

Claimants for refunds would be prohibited from requesting refunds under the existing Homestead Property Tax Refund or the Selective Assistance for Effective Senior Relief Credit programs.

Residential Property Tax Exemption

The bill would increase the amount of the residential exemption from the 20 mill uniform statewide school finance property tax levy from $20,000 of valuation to $65,000 of valuation beginning in tax year 2022 and provide for the amount to be increased in future tax years according to the average percentage change in statewide residential real property for the preceding 10 tax years.

Background

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Claeys.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by a representative of the Wichita Regional Chamber of Commerce. Written-only proponent testimony was provided by representatives of Cowley College, the Greater Wichita Partnership, the Kansas Chamber of Commerce, the Kansas Independent College Association, Spirit Aerosystems, and Textron Aviation. Proponents stated enactment of the bill would make Kansas more competitive in the aviation and aerospace manufacturing industries.

Written-only opponent testimony was provided by a representative of the Kansas Policy Institute.

No other testimony was provided.

Senate Committee of the Whole

The Senate Committee of the Whole amended the bill to change the effective dates for the aerospace and aviation tax credits, to insert the provisions concerning homestead property tax refund claims, and to insert the contents of Senate Sub. for HB 2212; SB 431, as amended by the Senate Committee on Assessment and Taxation; and SB 520, as amended by the Senate Committee on Assessment and Taxation.

Senate Sub. for HB 2212 (Housing Tax Credits)

The Senate Committee on Federal and State Affairs amended SB 375 (pertaining to HITCA), and SB 369 (pertaining to AHTCA). The Senate Committee then removed the contents of HB 2212; inserted the contents of SB 375, as amended, and SB 369, as amended; and recommended a substitute bill be passed.

HB 2212, as introduced in the 2021 Session, concerned amendments to the Liquor Control Act that would eliminate residency requirements for various liquor licenses. These provisions were enacted in 2021 HB 2137.

Background information for HB 2212 is contained in the supplemental note for that version of the bill.

SB 375 (Kansas Housing Investor Tax Credit Act)

SB 375 was introduced by the Senate Committee on Federal and State Affairs at the request of Senator Olson.

Senate Committee on Federal and State Affairs

In the Senate Committee hearing, **proponent** testimony was provided by Senator Olson and representatives of Building Kansas, LLC; Heartland Housing Partners; Kansas

Association of Realtors; Kansas Bankers Association; Kansas Corn Growers Association; Kansas Farm Bureau; Kansas Manufactured Housing Association; the League of Kansas Municipalities; Northwest Kansas Economic Innovation Center; and Sunflower Electric Power Corporation.

The proponents generally indicated there is a need for new housing in the state, and the bill would incentivize developers to create new housing opportunities.

Written-only proponent testimony was provided by representatives of Building Kansas, LLC; Community Housing Development Corporation of Central Kansas; the Greater Kansas City Chamber of Commerce; Osborne Industries, Inc.; Solomon State Bank; and Thrive Allen County.

No other testimony was provided.

The Senate Committee amended the bill to:

- Replace references to the Secretary of Commerce with the Director of Housing of the Kansas Development Finance Authority;
- Replace references to the Department of Commerce with the KHRC;
- Replace references to tax credits being awarded with tax credits being issued;
- Add tiers that award greater tax credits to qualified housing projects in less populated counties;
- Require at least $4.0 million of the annual $18.0 million aggregate amount of tax credits issued annually go to qualified housing projects in less populated counties; and
- Make several technical changes.

The Senate Committee then inserted the contents of SB 375, as amended, into SB 369.

SB 369 (Kansas Affordable Housing Tax Credit Act)

SB 369 was introduced by the Senate Committee on Federal and State Affairs at the request of Senator Olson.

Senate Committee on Federal and State Affairs

In the Senate Committee hearing, **proponent** testimony was provided by representatives of Advantage Capital; Kansas Corn Growers Association; Kansas Farm Bureau; Kansas Housing Association; Northwest Kansas Economic Innovation Center; Sisters of Charity of Leavenworth; and Sunflower Electric Power Corporation.

The proponents generally indicated that providing low-income housing tax credits is needed to incentivize the creation of new affordable housing in the state. The proponents further indicated the bill is needed to stay competitive in the region, as all states neighboring Kansas have state low-income housing tax credit programs.

Written-only proponent testimony was provided by representatives of the Greater Kansas City Chamber of Commerce, Health Forward Foundation, Kansas Association of Realtors, Kansas Bankers Association, Kansas Building Industry Association, Kansas Manufactured Housing Association, and the Overland Park Chamber of Commerce.

The Executive Director of the KHRC provided neutral testimony, stating that a lack of affordable, quality housing has been a problem in Kansas for many years; that this program is a public-private partnership; and that the KHRC generally receives $3 in requests for credit for every $1 they have available to award.

No other testimony was provided.

The Senate Committee amended the bill to insert the contents of SB 375, as amended, and to make technical amendments.

SB 431 (Residential Property Tax Exemption)

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Tyson.

In the Senate Committee hearing on the bill, written-only proponent testimony was provided by a representative of the Kansas Association of Realtors.

No other testimony was provided.

The Senate Committee amended the bill to reduce the exemption amount from $100,000 to $65,000 and to provide for future increases to the exemption amount based upon increases to Kansas residential real estate valuation.

SB 520 (Teacher Classroom Supplies Tax Credit)

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Holland.

In the Senate Committee hearing, **proponent** testimony was provided by a representative of the Kansas National Education Association, stating the bill would offset some of the classroom costs teachers are often required to pay with their own money. Written-only proponent testimony was provided by a private citizen.

No other testimony was provided.

The Senate Committee amended the bill to change the effective tax year from 2021 to 2022 and to remove a provision providing for the tax credit to be refundable.

Fiscal Information

According to the Department of Revenue, enactment of SB 282 (as amended by the Senate Committee of the Whole) is expected to have the following impact on state receipts.

(Dollars in Millions)	FY 2023	FY 2024	FY 2025
Aviation and Aerospace Tax Credits	$ (7.9)	$ (7.9)	$ (7.9)
Affordable Housing Investor Tax Credit	-	(14.4)	(28.8)
Housing Investor Tax Credit	(18.0)	(18.0)	(18.0)
Teacher Classroom Supplies Tax Credit	(10.4)	(10.4)	(10.5)
Homestead Refund Option	(6.9)	(14.0)	(21.6)
Subtotal State General Fund	*$ (43.1)*	*$ (64.7)*	*$ (86.8)*
Residential Property Tax Exemption	(90.6)	(94.2)	(98.0)
Subtotal State School District Finance Fund	*$ (90.6)*	*$ (94.2)*	*$ (98.0)*
Total All Funds	**$ (133.7)**	**$ (158.9)**	**$ (184.8)**

Further information on the estimated fiscal impact of individual provisions of the bill is provided below.

SB 282 (Aviation and Aerospace Tax Credits)

According to the fiscal note prepared by the Division of the Budget (DOB), the Department of Revenue (KDOR) estimates enactment of the bill would have the potential to reduce State General Fund (SGF) revenues by $7.9 million per fiscal year for FY 2023 through FY 2027.

KDOR estimates the annual reduction in receipts attributable to the credit for tuition reimbursements to be $2.8 million, the annual reduction in receipts attributable to the credit for compensation paid to qualified employees to be $2.6 million, and the annual reduction in receipts attributable to the credit for qualified employees to be $2.5 million.

KDOR indicates the change of applicable tax years will shift the reduction of revenues back by one fiscal year, resulting in a reduction of SGF revenues of $7.9 million per fiscal year for FY 2024 through FY 2028.

Senate Sub. for HB 2212 (Housing Tax Credits)

SB 375 (Kansas Housing Investor Tax Credit Act)

According to the fiscal note prepared by the DOB on SB 375, as introduced, KDOR estimates the bill would decrease SGF revenues by $18.0 million in FY 2023 and in each future fiscal year. To formulate these estimates, KDOR reviewed population data from the DOB. According to 2021 certified population data, housing projects in 98 counties would qualify for this new tax credit. KDOR assumes the maximum tax credit amount would be awarded each fiscal year. KDOR notes projects receiving the current 25.0 percent historic rehabilitation credit may also qualify for this new tax credit.

KDOR indicates it would require $207,181 SGF in FY 2023 to implement the bill and to modify the automated tax system. The bill would require KDOR to hire 1.0 new FTE position to answer questions from taxpayers and manage the new tax credit program. The required programming for this bill by itself would be performed by existing KDOR staff. In addition, if the combined effect of implementing the bill and other enacted legislation exceeds KDOR programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the current KDOR budget may be required.

The Department of Commerce (Commerce) indicates the bill would require $25,161 SGF in FY 2023 to implement the bill, as it would require Commerce to hire a 0.5 new FTE position or an Administrative Assistant who would assist the program manager to manage the new housing program.

Any fiscal effect associated with SB 375 is not reflected in *The FY 2023 Governor's Budget Report*.

SB 369 (Kansas Affordable Housing Tax Credit Act)

According to the fiscal note prepared by the DOB on SB 369, as introduced, KDOR estimates the bill would not have a fiscal effect on state revenues until FY 2024. The bill would reduce SGF revenues by $14.4 million in FY 2024, increasing by $14.4 million per year until leveling off at $144.0 million in the tenth year of the program.

KDOR indicates it would require $191,312 SGF in FY 2023 to implement the bill and to modify the automated tax system. The bill would require KDOR to hire 1.0 new FTE position to answer questions from taxpayers and manage the new tax credit program. The required programming for this bill by itself would be performed by existing KDOR staff. In addition, if the combined effect of implementing the bill and other enacted legislation exceeds KDOR programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the current KDOR budget may be required.

The Insurance Department indicates the bill would also allow insurance companies to claim this new tax credit. If insurance companies claim this tax credit, it would reduce insurance premium tax collections that are distributed to the SGF (99.0 percent) and the Insurance Service Regulation Fund (1.0 percent). The Insurance Department indicates it would require $1,000 from the Insurance Service Regulation Fund in FY 2023 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 SB 369 is not reflected in *The FY 2023 Governor's Budget Report.*

SB 431 (Residential Property Tax Exemption)

KDOR indicates enactment of SB 431, as amended by the Senate Committee on Assessment and Taxation, would reduce state revenues by $90.6 million per year beginning in FY 2023.

SB 520 (Teacher Classroom Supplies Credit)

According to the fiscal note prepared by the DOB on the bill, as introduced, KDOR estimates enactment of the bill would reduce state revenues by $20.4 million in FY 2023, $10.4 million in FY 2024, and $10.5 million in FY 2025.

KDOR indicates the amended bill would result in a reduction of state receipts of $10.4 million in FY 2023, $10.4 million in FY 2024, and $10.5 million in FY 2025. Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2023 Governor's Budget Report*.

Homestead Property Tax Refund Claims

KDOR indicates enactment of the homestead property tax refund claim provisions would reduce state receipts by $6.85 million in FY 2023, $14.0 million in FY 2024, and $21.6 million in FY 2025.

Taxation; income tax; property tax; tax credits; residential property tax exemption; aviation and aerospace; housing; teacher classroom supplies; Kansas Housing Investor Tax Credit Act; Kansas Affordable Housing Tax Credit Act; homestead property tax refunds