

February 6, 2023

The Honorable Adam Smith, Chairperson
House Committee on Taxation
300 SW 10th Avenue, Room 346-S
Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2136 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2136 is respectfully submitted to your committee.

Calculations for Kansas income taxes are based on the Kansas adjusted gross income, which is calculated by adding or subtracting certain types of income from the federal adjusted gross income. HB 2136 would allow the following amounts received to be subtracted from income for Kansas income tax purposes beginning retroactively to tax year 2021:

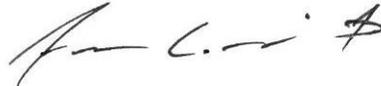
1. An appraiser's award or final judgment under the Eminent Domain Procedure Act, if those amounts are included in federal adjusted gross income of the taxpayer; and
2. Payment from the sale of private property purchased by an authorized entity that would otherwise be subject to a taking.

The Department of Revenue estimates that HB 2136 would decrease State General Fund revenues by unknown amounts beginning in FY 2024; however, the reductions in revenues are estimated to be negligible. The Department of Revenue does not have information on the type of property that would qualify for this new subtraction modification to accurately estimate the impact of this bill. If \$500,000 is awarded by an appraiser or a final judgement under the Eminent Domain Procedure Act that is included in the taxpayer's federal adjusted gross income and using an average tax rate of 5.0 percent, the bill would reduce tax liability for the taxpayer by \$25,000.

The Department indicates that the bill would require \$33,530 from the State General Fund in FY 2024 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. Any fiscal effect associated with HB 2136 is not reflected in *The FY 2024 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue