

March 10, 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 2425 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2425 is respectfully submitted to your committee.

HB 2425 would establish a refundable income tax credit for tuition payments made to postsecondary educational institutions. The tax credit would be equivalent to 100.0 percent of the tuition payment made during the taxable year and be limited to \$150 per qualified taxpayer. To qualify for the tax credit, a taxpayer would be required to be a Kansas resident who has paid tuition for attendance at an eligible postsecondary institution for themselves, a child, or a stepchild. The credit would be in effect from tax year 2023 through tax year 2027.

Estimated State Fiscal Effect				
	FY 2023 SGF	FY 2023 All Funds	FY 2024 SGF	FY 2024 All Funds
Revenue	--	--	(\$30,000,000)	(\$30,000,000)
Expenditure	--	--	\$92,216	\$92,216
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2425 would decrease State General Fund revenues by \$30.0 million in FY 2024 and subsequent fiscal years. To formulate these estimates, the Department of Revenue reviewed data on postsecondary institution enrollment, indicating that there are approximately 200,000 Kansas residents attending eligible institutions. Assuming all students claim the maximum refundable credit of \$150, the fiscal effect would total \$30.0 million per fiscal year.

The Department indicates that the bill would require \$92,216 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.

The Board of Regents indicates the bill would have no direct impact on the higher education system. The bill has the potential to encourage additional students to enroll in courses to gain the tax credit benefit, which could result in more tuition income for the educational institutions. However, it is not possible to estimate the number of students who would choose to attend an educational institution because of the provisions of the bill. Any fiscal effect associated with HB 2425 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: Becky Pottebaum, Board of Regents
Lynn Robinson, Department of Revenue