



Adam C. Proffitt, Director

Laura Kelly, Governor

April 1, 2024

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 2845 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2845 is respectfully submitted to your committee.

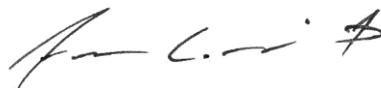
HB 2845 would allow 100.0 percent of unreimbursed employee business expenses as reported as job expenses and certain miscellaneous deductions on federal income tax returns to be claimed as an itemized deduction on state income tax returns beginning in tax year 2024 and in each future tax year. The bill would also remove outdated language from previous tax years.

Estimated State Fiscal Effect			
	FY 2024	FY 2025	FY 2026
<b>Expenditures</b>			
State General Fund	--	\$74,856	--
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Expenditures	--	\$74,856	--
<b>Revenues</b>			
State General Fund	--	(\$43,800,000)	(\$34,100,000)
State Highway Fund	--	--	--
Federal Fund	--	--	--
Total Revenues	--	(\$43,800,000)	(\$34,100,000)
FTE Positions	--	--	--

The Department of Revenue estimates that HB 2845 would decrease State General Fund revenues by \$43.8 million in FY 2025, \$34.1 million in FY 2026, and \$34.4 million in FY 2026. To formulate these estimates, the Department of Revenue reviewed federal tax return data that indicates that the total unreimbursed employee expenses claimed on federal returns when the deduction was allowed in tax year 2017 was \$101.2 billion. Assuming 1.0 percent of these expenses occurred in Kansas and would be taxed at an effective rate of 3.1 percent, the impact of this deduction would have been approximately \$31.4 million per tax year. The individual income tax estimate for FY 2025 includes 100.0 percent of tax year 2024 tax liability and 30.0 percent of tax year 2025 tax liability. The individual income tax estimate for FY 2026 includes 70.0 percent of tax year 2025 tax liability and 30.0 percent of tax year 2026 tax liability. The Department estimates that the number of tax returns grows approximately 1.0 percent each year.

The Department indicates that the bill would require \$74,856 from the State General Fund in FY 2025 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 2845 is not reflected in *The FY 2025 Governor's Budget Report*.

Sincerely,

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

Adam C. Proffitt  
Director of the Budget

cc: Lynn Robinson, Department of Revenue