

February 11, 2025

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 2078 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2078 is respectfully submitted to your committee.

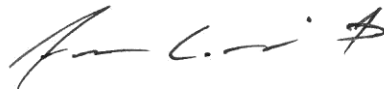
HB 2078 would enact the Child Care Contribution Tax Credit Act. The bill would allow verified contributions to a child care provider or intermediary to receive a 75.0 percent non-refundable tax credit beginning in tax year 2026. Tax credits would be limited to \$20.0 million per tax year and no single taxpayer would be allowed to claim more than \$200,000 in tax credits per tax year. If the tax credit amount exceeds the taxpayer's Kansas adjusted gross income for that taxable year, the excess could be carried forward for up to six years. The child care provider or intermediary would apply to the Department of Revenue to participate in this tax credit program and the Department would determine the eligibility of the child care provider or intermediary. Only contributions to a child care provider or intermediary that have entered into an agreement with the Department would qualify for this tax credit. The bill includes administrative requirements for a child care provider or intermediary receiving contributions and includes eligible uses of contributions.

Estimated State Fiscal Effect			
	FY 2025	FY 2026	FY 2027
Expenditures			
State General Fund	--	\$139,600	--
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Expenditures	--	\$139,600	--
Revenues			
State General Fund	--	--	(\$20,000,000)
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Revenues	--	--	(\$20,000,000)
FTE Positions	--	--	--

The Department of Revenue estimates that HB 2078 would decrease State General Fund revenues by \$20.0 million in FY 2027 and in each future fiscal year. The Department of Revenue assumes that the full amount of allowable tax credits would be claimed in each tax year.

The Department indicates that the bill would require \$139,600 from the State General Fund in FY 2026 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 2078 is not reflected in *The FY 2026 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", followed by a stylized flourish or symbol.

Adam C. Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue