

March 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 2189 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2189 is respectfully submitted to your committee.

Calculations for Kansas income taxes are based on Kansas adjusted gross income, which is calculated by adding or subtracting certain types of income from federal adjusted gross income. HB 2189 would allow the following amounts received from a taxpayer who resides within ten miles of property used as a farm or ranch that was transferred to be subtracted from income for Kansas income tax purposes beginning retroactively to tax year 2021:

1. An appraiser's award or final judgment for property that was taken by either the Kansas Department of Transportation (KDOT) or a public utility under the Eminent Domain Procedure Act, if those amounts are included in federal adjusted gross income of the taxpayer; and
2. The sale of property to either KDOT or a public utility if those amounts are included in federal adjusted gross income of the taxpayer and the sale would otherwise be subject to a taking under the Eminent Domain Procedure Act.

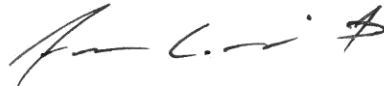
The Department of Revenue estimates that HB 2189 would decrease State General Fund revenues by unknown amounts beginning in FY 2026. The Department of Revenue does not have information on the type of property that would qualify for this new subtraction modification to accurately estimate the impact of 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 \$38,830 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.

KDOT indicates the bill would have no fiscal effect on its operations and it would still be required to compensate landowners for property taken for state highway use. Any fiscal effect associated with HB 2189 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
Jay Hall, Kansas Association of Counties
Brendan Yorkey, Department of Transportation