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Adam C. Proffitt, Director

Laura Kelly, Governor

February 24, 2025

REVISED

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

Dear Representative Smith:

SUBJECT: Revised Fiscal Note for HB 2210 by House Committee on Taxation

In accordance with KSA 75-3715a, the following revised fiscal note concerning HB 2210 is respectfully submitted to your committee.

HB 2210 would provide a refundable child tax credit beginning in tax year 2025 for each qualifying child of the taxpayer under the age of four based on their Kansas adjusted gross income as follows:

Kansas Adjusted Gross Income	Amount of the Credit Per Qualifying Child
Under $25,000	$600
Over $25,000 but under $50,000	$400
Over $50,000 but under $75,000	$200
Over $75,000 but under $100,000	$100
Over $100,000 but under $200,000	$75
Over $200,000 but under $350,000	$50
Over $350,000	$25

Married individuals filing separate returns for a tax year in which they could have filed a joint return would only be able to each claim half the amount of the tax credit per qualifying child that would have been claimed on a joint return. The bill includes relationship, residency, and age requirements to be considered a qualified child. The bill would increase all threshold income amounts and the amount of the credit per qualifying child based on the cost-of-living adjustment published in the Internal Revenue Code beginning in tax year 2026 and annually thereafter.

The Department of Revenue would be required to submit an annual report on the child tax credit that includes the number of taxpayers receiving the credit, the adjusted threshold income amounts, and adjusted credit amounts. The report would include an analysis of the cost of the tax credit and include any other information necessary to evaluate the effectiveness of the tax credit. The report would be submitted to the Senate Committee on Assessment and Taxation and the House Committee on Taxation on or before January 31 of each year.

Estimated State Fiscal Effect			
	FY 2025	FY 2026	FY 2027
Expenditures			
State General Fund	--	$178,121	$55,403
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Expenditures	--	$178,121	$55,403
Revenues			
State General Fund	--	($34,100,000)	($35,500,000)
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Revenues	--	($34,100,000)	($35,500,000)
FTE Positions	--	1.00	1.00

The Department of Revenue estimates that HB 2210 would decrease State General Fund revenues by $34.1 million in FY 2026, $35.5 million in FY 2027, and $36.9 million in FY 2028. To formulate these estimates, the Department of Revenue simulated this tax policy change based on actual tax return data from tax year 2023. The Department estimates that 122,387 credits would be claimed for resident children under the age of four. The cost of each credit is dependent on the Kansas adjusted gross income on returns and filing status. The Department estimates that the number of tax returns grows approximately 1.0 percent each year and the cost-of-living adjustments would be 3.0 percent annually. In the original fiscal note issued, the fiscal note table included an incorrect total revenues amount; however, the paragraph describing the fiscal effect included the correct amount.

The Department of Revenue indicates that the bill would require $178,121 from the State General Fund in FY 2026 to implement the bill and to modify the automated tax system. The bill would require the Department to hire 1.00 new FTE position to answer questions from taxpayers and to assist with the administration of this new program. The Department estimates that ongoing expenses for salaries and wages for the 1.00 FTE position and overhead expenses would total $55,403 from the State General Fund in FY 2027. 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 Department of Administration indicates that adjusting state income tax collections has the potential to have a fiscal effect on the amount of revenue collected from its debt setoff program. This program intercepts individual income tax refunds and homestead tax refunds and applies those amounts to debts owed to state agencies, municipalities, district courts, and state agencies in other states. Debts include, but are not limited to child support, taxes, educational expenses, fines, services provided to the debtor, and court ordered restitution. As the dollar amounts of refunds are increased, the amount available for possible debt setoffs is also increased. However, the Department is unable to make an estimate of the amount of additional debt setoffs that would be intercepted as a result of the bill. Any fiscal effect associated with HB 2210 is not reflected in *The FY 2026 Governor's Budget Report*.

Sincerely,

Adam C. Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Samir Arif, Department of Administration