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Adam C. Proffitt, Director
Laura Kelly, Governor

February 26, 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 2232 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2232 is respectfully submitted to your committee.

HB 2232 would provide a refundable income tax credit of $1,000 for each qualifying child of the taxpayer beginning in tax year 2025. The taxpayer could claim an additional $1,000 tax credit for each unborn child that would be claimed in the taxable year that the unborn child is born or stillborn. The bill includes relationship, residency, and age requirements to be considered a qualified child. The bill would require the taxpayer provide the social security number of the qualifying child or documents that show the birth resulted in a stillbirth. The bill includes definitions for "qualified child" and "unborn child."

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	--	($693,800,000)	($700,800,000)
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Revenues	--	($693,800,000)	($700,800,000)
FTE Positions	--	1.00	1.00

The Department of Revenue estimates that HB 2232 would decrease State General Fund revenues by $698.8 million in FY 2026, $700.8 million in FY 2027, and $707.8 million in FY 2028. To formulate these estimates, the Department of Revenue tax return data from tax year 2023. The Department of Revenue estimates that there are 615,380 dependents under the age of 18 and estimates that there would 64,777 attributed to unborn children and births. The tax credit is estimated to reduce State General Fund revenues by $693.8 million in tax year 2025 or FY 2026. It is estimated that the number of returns will increase 1.0 percent each year.

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 debts setoffs that will be intercepted because of the enactment of the bill. Any fiscal effect associated with HB 2232 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