

February 27, 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 2276 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2276 is respectfully submitted to your committee.

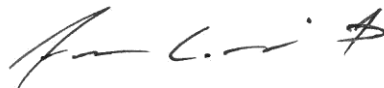
HB 2276 would create a new non-refundable income tax credit for an eligible small business that purchases advertising from a local news organization for tax years 2026 through 2029. The amount of the income tax credit would be equal to 50.0 percent of the eligible small business's expenditures on qualified local news organization advertising in the first tax year and 25.0 percent in each future tax year. Each taxpayer would be limited to a maximum tax credit of \$5,000 for the first tax year and \$2,500 for each future tax year. The total amount of tax credits that could be claimed would be uncapped. The bill would allow any unused tax credits to be carried forward for up to ten years. The eligible small business would be required to employ an average of fewer than 50 full-time employees during the tax year that the tax credit is claimed. The bill includes definitions of advertising, local news organization, and qualified local news organization advertising.

Estimated State Fiscal Effect			
	FY 2025	FY 2026	FY 2027
Expenditures			
State General Fund	--	\$167,831	\$72,181
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Expenditures	--	\$167,831	\$72,181
Revenues			
State General Fund	--	--	(\$3,300,000)
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Revenues	--	--	(\$3,300,000)
FTE Positions	--	1.00	1.00

The Department of Revenue estimates that HB 2276 would decrease State General Fund revenues by \$3.3 million in FY 2027 and \$2.3 million in FY 2028. To formulate these estimates, the Department reviewed firms and establishments data from the U.S. Census Bureau. Data indicates that there are 19,566 eligible businesses in Kansas with between 5 and 50 employees. If 10.0 percent of eligible businesses utilize this tax credit in tax year 2026 and the same businesses qualify in subsequent tax years, the bill is expected to generate \$9.8 million in tax credits in tax year 2026 and \$4.9 million in tax years 2027, 2028, and 2029. The fiscal note assumes that taxpayers would be able to claim one third of the tax credit amount against tax liability with the remaining portion claimed over the following ten years.

The Department of Revenue indicates that the bill would require \$167,831 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 \$72,181 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. Any fiscal effect associated with HB 2276 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