

February 16, 2025

The Honorable Nick Hoheisel, Chairperson
House Committee on Financial Institutions and Pensions
300 SW 10th Avenue, Room 582-N
Topeka, Kansas 66612

Dear Representative Hoheisel:

SUBJECT: Fiscal Note for HB 2337 by House Committee on Financial Institutions and Pensions

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2337 is respectfully submitted to your committee.

HB 2337 would require a money transmitter by wire to collect a fee of \$7.50 per international transaction of \$500 or less or an amount equal to 1.5 percent of any international transaction greater than \$500. A receipt for the fee would be issued to the customer. "Money transmitter by wire" would mean any person receiving payment for the service of sending or receiving money from another location or person. The bill lists persons, governments, and transactions that would be excluded from the definition of "money transmitter by wire." The money transmitter would send a monthly report and the fees it collects to the Department of Revenue by electronic fund transfer. The Department would be allowed to provide fee information concerning a money transmitter by wire to the Office of the State Bank Commissioner. The Secretary of Revenue and the State Bank Commissioner would have the power to write rules and regulations to implement the bill.

The Office of State Bank Commissioner could assess penalties for nonpayment of fees and make a claim against the surety bond of the money transmitter for unpaid fees, interest, and fines on behalf of the state. On July 15, 2026, and each July 15 thereafter, all fees collected as well as penalties assessed would be deposited into the State General Fund. From the State General Fund, the funds would be transferred to three new funds created in the bill as follows: 30.0 percent to the Criminal Litigation Fund, 45.0 percent to the Wire Transfer Fee Fund, and 25.0 percent to the Prosecutor and Law Enforcement Grant Fund. The Attorney General would administer the Criminal Litigation Fund that would be used for investigating and prosecuting criminal cases. The funds could not be used for activities of the Medicaid Fraud and Abuse Division. The Wire Transfer Fee Fund would be administered by the Kansas Bureau of Investigation and would be used for complex drug and white-collar criminal investigations. The Kansas Criminal Justice Coordinating Council would administer the Prosecutor and Law Enforcement Grant Fund and use

the funds to award grants to county attorneys or district attorneys or local law enforcement agencies in accordance with the standards and statewide strategic plan adopted for the federal Edward Byrne Memorial Justice Assistance Grant Program.

The bill would create credit against the tax imposed by the Kansas Income Tax Act and the Privilege tax in an amount equal to the amount of a money transmitter by wire fees paid during the tax year beginning in tax year 2024. The bill would allow any unused tax credits to be carried forward for up to five years.

In addition, it would be unlawful for a person who is not a United States citizen or an alien who is lawfully present in the United States to send or receive a wire transfer or to deposit money in a financial institution for the purpose of sending a wire transfer. Unlawful transmission of a wire transfer would be a class C, nonperson misdemeanor.

The Department of Revenue estimates that the fee created by HB 2337 would increase State General Fund revenues by \$12,576,459 in FY 2026, \$14,067,362 in FY 2027, and \$14,423,756 in FY 2028. The bill would also create an income tax credit for the fees paid which would decrease state revenues by \$284,135 in FY 2026, \$582,667 in FY 2027, and \$597,429 in FY 2028. Net revenues would be distributed among the three funds created in the bill as follows:

<u>Fund</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
Criminal Litigation Fund (30%)	\$3,687,697	\$4,045,408	\$4,147,898
Wire Transfer Fee Fund (45%)	\$5,531,546	\$6,068,113	\$6,221,847
Prosecutor & Law Enforcement Grant Fund (25%)	\$3,073,081	\$3,371,174	\$3,456,582

The Department based its estimates on data from Oklahoma, which has implemented this type of fee. Oklahoma charges a 1.0 percent (\$5.00 minimum) fee on wire transfers. The Department adjusted for the difference in the population between Oklahoma (4,019,271) and Kansas (2,936,716) and adjusted for the higher excise tax of 1.5 percent created under HB 2337. The Department assumed a 2.5 percent annual growth in fees receipts.

The Department of Revenue indicates that it would require a total \$990,599 from the State General Fund, including \$222,069 for 3.00 Customer Representative positions and \$768,530 to implement the bill and to modify the automated tax system beginning in FY 2026. The Department estimates that ongoing expenses for salaries and wages for the 3.00 positions would total \$222,069 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 Office of the State Bank Commissioner indicates based on growth in the money transmitter industry, the agency would require \$170,250 in FY 2026 and \$171,750 in FY 2027 for 1.00 Attorney position, 1.00 Examiner/Investigator position, and associated operating expenditures all from its fee fund. The positions would be used for investigations and legal actions

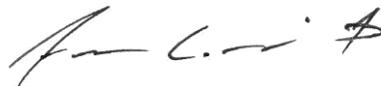
related to money transmitters by wire. The agency assumes that the Department of Revenue would not provide assistance with these investigations and legal actions that may occur.

The Kansas Bureau of Investigation indicates HB 2337 would increase revenues to the agency through the Wire Transfer Fee Fund from the fees generated by money transmitted by wire. The agency consulted with the state of Oklahoma, which has a similar law on all domestic and international transfers with a \$5 minimum for each transaction and 1.0 percent fee for any transaction over \$500. Oklahoma's fee revenues have averaged approximately \$11.5 million over ten years. Oklahoma also allows for an income tax credit equal to an amount owed by the money transmitter fee and estimated approximately \$1.5 million of the \$11.5 million was refunded. Because of the difference in population between Kansas and Oklahoma, the unknown amount of international wire transfers in Kansas, as well the exclusion of bank fees applied in Oklahoma, the agency is unable to estimate the amount of revenue the bill would generate if enacted.

The Kansas Criminal Justice Coordinating Council indicates that it would use revenues from the Prosecutor and Law Enforcement Grant Fund for administrative costs for overseeing the grant program as directed in HB 2337. The Council assumes its expenditures would be minimal in the first year, FY 2026, and begin making grant awards in the second year, FY 2027. However, the Council is unable to estimate the fiscal effect the bill would have on the Council's operations if enacted. The Office of the Attorney General has not yet responded to the Division of the Budget's request for fiscal information.

The Office of Judicial Administration indicates HB 2337 could increase the number of cases filed in the district courts because the bill creates a new crime. This would increase time spent by district court judicial and nonjudicial personnel in processing, researching, and hearing cases. Since the crime carries a class C, nonperson misdemeanor penalty, there could also be additional supervision of offenders by court services officers. Enactment of the bill could increase the collection of docket fees, fines, and supervision fees that would be deposited into the State General Fund. The agency indicates that it is unable to estimate a precise fiscal effect. Any fiscal effect associated with HB 2337 is not reflected in *The FY 2026 Governor's Budget Report*.

Sincerely,



Adam C. Proffitt
Director of the Budget

cc: Trisha Morrow, Judiciary
Ethan Belshe, Office of the Governor
Jesse Becker, Office of the State Bank Commissioner
Lynn Robinson, Department of Revenue
Matt Bingesser, Office of the Attorney General
Paul Weisgerber, Kansas Bureau of Investigation