



March 24, 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 2395 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2395 is respectfully submitted to your committee.

HB 2395 would establish the Shelter to Home Pet Rescue Act. The bill would create a new non-refundable income tax credit, beginning in tax year 2025, that would be equal to the qualifying expenses for the care of a cat or dog that resides indoors and is owned by the resident taxpayer. The tax credit amount would be limited to \$250 for the first tax year and \$100 for up to five additional tax years. The total amount of tax credits that could be claimed would be uncapped. The taxpayer would be allowed to claim tax credits for up to three animals per tax year and any unused tax credits would not be carried forward. In order to qualify for the tax credit, the taxpayer would provide receipts and documentation, as required by the Secretary of Revenue, substantiating the expenses incurred for the cat or dog and proving that the cat or dog has been spayed or neutered. Any qualifying expenses would need to be incurred before December 1st in the tax year that the tax credit is claimed. Qualifying expenses would include vaccines administered by a veterinarian; veterinarian expenses incurred for spaying or neutering the cat or dog; inserting a microchip into the animal that would provide the owner's contact information; food for the animal; and any other animal supplies intended for and used by the animal.

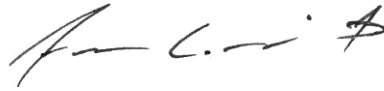
Estimated State Fiscal Effect			
	FY 2025	FY 2026	FY 2027
Expenditures			
State General Fund	--	\$247,618	\$144,362
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Expenditures	--	\$247,618	\$144,362
Revenues			
State General Fund	--	(\$5,600,000)	(\$7,800,000)
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Revenues	--	(\$5,600,000)	(\$7,800,000)
FTE Positions	--	2.00	2.00

The Department of Revenue estimates that HB 2395 would decrease State General Fund revenues by \$5.6 million in FY 2026, \$7.8 million in FY 2027, and \$10.0 million in FY 2028. To formulate these estimates, the Department reviewed data from the American Veterinary Medical Association. The data indicate that there are an estimated combined 1.6 million cats and dogs in Kansas households, with 80.0 percent of cats and 69.0 percent of dogs being spayed or neutered. If the 76.0 percent of cat owners and 85.0 percent of dog owners that view their pets as family are likely to preserve records needed to claim this tax credit, and cats and dogs have average lifespans of 15 and 13 years respectively, it is expected that 66,649 new tax credits would be claimed each year. These would generate \$16.7 million in first-year \$250 tax credits each tax year with tax credits increasing by \$6.7 million for the next five years as the \$100 credits are allowed. Since this tax credit is nonrefundable, it is expected that one third of these tax credits would be allowed against tax liability. If the tax credit is only allowed for adopted animals, it is expected to create 26,443 new credits each year.

The Department of Revenue indicates that the bill would require \$247,618 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 2.00 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 2.00 FTE position and overhead expenses would total \$144,362 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 2395 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