

February 10, 2026

The Honorable Caryn Tyson, Chairperson  
Senate Committee on Assessment and Taxation  
300 SW 10th Avenue, Room 548-S  
Topeka, Kansas 66612

Dear Senator Tyson:

**SUBJECT:** Fiscal Note for SB 498 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 498 is respectfully submitted to your committee.

SB 498 would discontinue the 40.0 percent income tax credit based on the incremental or conversion costs for each qualified alternative-fueled motor vehicle placed in service, with caps based on the weight of the vehicle, after tax year 2026. The bill would discontinue the 40.0 percent income tax credit based on the total amount expended for each qualified alternative-fuel fueling station, capped at \$100,000 for each fueling station, after tax year 2026. The bill would discontinue the 5.0 percent income tax credit based on the cost of a motor vehicle equipped by the vehicle manufacturer with an alternative fuel system, capped at \$750, after tax year 2026. For each of these discontinued income tax credits, taxpayers would still be able to claim the income tax credit for any applicable carry forward period.

The bill would create a new non-refundable income tax credit for a retail dealer that sells higher ethanol blend at its service station. Higher ethanol blend is an ethanol blended fuel E-15 or higher percent ethanol blend fuel. The amount of the income tax credit would be equal to \$0.05 per gallon of higher ethanol blend sold by the retail dealer. The bill would allow any unused tax credits to be carried forward for up to five years. The total amount of tax credits that could be claimed would be capped at \$2.5 million per tax year and the tax credit could be claimed in tax years 2026 through 2031. If retail dealers claim more than \$2.5 million in income tax credits by April 15 of each year, the Department of Revenue would divide the \$2.5 million among all eligible retail dealers proportionally. The bill would also remove outdated statutory references.

Estimated State Fiscal Effect			
	FY 2026	FY 2027	FY 2028
Expenditures			
State General Fund	--	\$34,580	--
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Expenditures	--	\$34,580	--
Revenues			
State General Fund	--	(\$2,400,000)	(\$2,400,000)
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Revenues	--	(\$2,400,000)	(\$2,400,000)
FTE Positions	--	--	--

The Department of Revenue estimates that SB 498 would decrease State General Fund revenues by \$2.4 million in FY 2027, FY 2028, and FY 2029. To formulate these estimates, the Department of Revenue reviewed data on alternative motor fuels. Detailed data on E-15 fuel sold in Kansas is not available. Data on overall motor fuel tax collections was used to estimate E-15 making up 3.0 percent of total gasoline tax collections. Gas tax collection on E-15 is estimated to be \$9.8 million based on 41.0 million gallons of E-15, which would allow retail dealers to claim approximately \$2.1 million in income tax credits.

This credit is also available to higher ethanol blends. Available data shows that 6,550,288 gallons of E-85 fuel were sold in Kansas in FY 2025. At the State Highway Fund Consensus Revenue Estimating Meeting in November 2025, it was estimated that 6.0 million gallons of E-85 will be sold in Kansas in FY 2027 which would allow an additional \$300,000 in income tax credits to be claimed. Combining the fiscal effect of E-15 (\$2.1 million) and E-85 (\$300,000) would reduce State General Fund revenues by a total of \$2.4 million per year, slightly below the \$2.5 million cap imposed by the bill. If E-15 availability increases, the statutory cap of the bill would likely be reached. This credit is available starting in tax year 2026 with the first impact being seen in FY 2027.

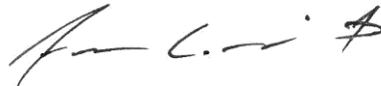
The Department of Revenue indicates that discontinuing the alternative fuel tax credits in tax year 2027 would have no fiscal effect on State General Fund revenues. The Department indicates that the alternative fuel tax credits have not seen substantial use in recent years.

The Department indicates that the bill would require \$34,580 from the State General Fund in FY 2027 to implement the bill and to modify the automated tax system. 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 Kansas Department of Transportation indicates the bill would have no fiscal effect on the State Highway Fund. Any fiscal effect associated with SB 498 is not reflected in *The FY 2027 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt". The signature is fluid and cursive, with a stylized flourish at the end.

Adam C. Proffitt  
Director of the Budget

cc: Lynn Robinson, Department of Revenue  
Brendan Yorkey, Department of Transportation