

January 30, 2023

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 2011 by Representative Proctor, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2011 is respectfully submitted to your committee.

Calculations for Kansas income taxes are based on the Kansas adjusted gross income, which is calculated by adding or subtracting certain types of income from the federal adjusted gross income. HB 2011 would allow the amounts received as compensation by an individual for serving in the armed forces to be subtracted from income for Kansas income tax purposes beginning in tax year 2023. The subtraction modification would apply to uniformed members in the Army, Air Force, Navy, Coast Guard, Marine Corps, or Space Force, including active duty, reserves, or National Guard members. Compensation is defined as all pay, bonuses, reimbursement, or compensation for service in the armed forces.

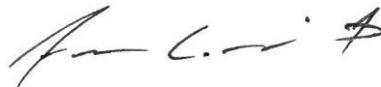
Estimated State Fiscal Effect				
	FY 2023 SGF	FY 2023 All Funds	FY 2024 SGF	FY 2024 All Funds
Revenue	--	--	(\$10,900,000)	(\$10,900,000)
Expenditure	--	--	\$92,094	\$92,094
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2011 would reduce State General Fund revenues by \$10.9 million in FY 2024, and by \$8.4 million in both FY 2025 and FY 2026. The Department of Revenue reviewed data from the Adjutant General and the Enlisted Association of the National Guard of Kansas. For the estimated 8,211 active-duty members that list Kansas as

their resident state, federal taxable income is estimated to be \$302.5 million and using an effective tax rate of 2.5 percent would reduce State General Fund revenues by \$7.6 million in tax year 2023. For the estimated 10,165 National Guard members, federal taxable income is estimated to be \$204.6 million and using an effective tax rate of 0.4 percent would reduce State General Fund revenues by \$800,000 in tax year 2023. The estimate for FY 2024 includes 100.0 percent of tax year 2023 tax liability and 30.0 percent of tax year 2024 tax liability. The estimate for FY 2025 includes 70.0 percent of tax year 2024 tax liability and 30.0 percent of tax year 2025 tax liability.

The Department of Revenue indicates that it would require a total \$92,094 from the State General Fund in FY 2024 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. Any fiscal effect associated with HB 2011 is not reflected in *The FY 2024 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Michael Neth, Office of the Adjutant General