

January 31, 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 2135 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2135 is respectfully submitted to your committee.

HB 2135 would allow contributions to eligible charitable organizations operating pregnancy centers or residential maternity facilities to receive a 70.0 percent tax credit beginning in tax year 2023. Eligible charitable organizations would be required to be exempt from federal income taxation and a nonprofit organization organized under the laws of this state. The pregnancy center or residential maternity facility would be required to maintain a dedicated phone number for clients; maintain in this state its primary physical office, clinic, or residential home that is open for clients for a minimum of 20 hours a week, excluding state holidays; offer services, at no cost to the client, that provide assistance to women in order to carry their pregnancy to term, encourage parenting or adoption, prevent abortion, and promote healthy childbirth; and utilize trained and licensed medical professionals to perform any available medical procedures.

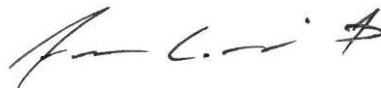
Tax credits would be limited to \$10.0 million per tax year and tax credits for contributions to a single eligible charitable organization would be limited to \$5.0 million per tax year. If the tax credit amount exceeds the taxpayer's Kansas adjusted gross income for that taxable year, then the amount that exceeds the Kansas adjusted gross income could be carried forward for up to five years. The bill includes administrative requirements and procedures for the qualification and certification of an eligible charitable organization, the allocation of tax credits if the aggregate amount of tax credits requested is above the limit, and the reallocation of any unused tax credits.

The Department of Revenue indicates that there is no information to accurately estimate the number of taxpayers that would claim this new tax credit or the amount of contributions to eligible charitable organizations to accurately estimate the fiscal effect of HB 2135. However, the

bill limits the maximum credits allowed to \$10.0 million per tax year. For each \$1.0 million in contributions to eligible charitable organizations, then \$700,000 in tax credits could be claimed.

The Department indicates that the bill would require \$142,868 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 2135 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: Bobbi Mariani, Insurance Department
Lynn Robinson, Department of Revenue