Division of the Budget
Landon State Office Building
900 SW Jackson Street, Room 504
Topeka, KS 66612

Kansas
Division of the Budget

Phone: (785) 296-2436
adam.c.proffitt@ks.gov
http://budget.kansas.gov

Adam C. Proffitt, Director

Laura Kelly, Governor

February 19, 2024

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 436 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 436 is respectfully submitted to your committee.

SB 436 would provide a refundable child tax credit beginning in tax year 2024 for each qualifying child of the taxpayer based on their Kansas adjusted gross income as follows:

Kansas Adjusted Gross Income	Amount of the Credit Per Qualifying Child
Under $25,000	$600
Over $25,000 but under $50,000	$400
Over $50,000 but under $75,000	$200
Over $75,000 but under $100,000	$100
Over $100,000 but under $200,000	$75
Over $200,000 but under $350,000	$50
Over $350,000	$25

Married individuals filing separate returns for a tax year in which they could have filed a joint return would only be able to each claim half the amount of the tax credit per qualifying child that would have been claimed on a joint return. The bill includes relationship, residency, and age requirements to be considered a qualified child. The bill would increase all threshold income amounts and the amount of the credit per qualifying child based on the cost-of-living adjustment published in the Internal Revenue Code beginning in tax year 2025 and annually thereafter.

The Department of Revenue would be required to submit an annual report on the child tax credit that includes the number of taxpayers receiving the credit, the adjusted threshold income amounts, and adjusted credit amounts. The report would include an analysis of the cost of the tax credit and include any other information necessary to evaluate the effectiveness of the tax credit. The report would be submitted to the Senate Committee on Assessment and Taxation and the House Committee on Taxation on or before January 31 of each year.

Estimated State Fiscal Effect			
	FY 2024	FY 2025	FY 2026
Expenditures			
State General Fund	--	$176,040	--
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Expenditures	--	$176,040	--
Revenues			
State General Fund	--	($190,900,000)	($192,800,000)
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Revenues	--	($190,900,000)	($192,800,000)
FTE Positions	--	--	--

The Department of Revenue estimates that SB 436 would decrease State Geneal Fund revenues by $190.9 million in FY 2025, $192.8 million in FY 2026, and $194.7 million in FY 2027. To formulate these estimates, the Department of Revenue simulated this tax policy change based on actual tax return data from tax year 2021. The Department estimates that 733,161 credits would be claimed for resident children with 11,074 being on married filing separate returns. The cost of each credit is dependent on the Kansas adjusted gross income on returns and filing status. The Department estimates that the number of tax returns grows approximately 1.0 percent each year.

The Department indicates that the bill would require $176,040 from the State General Fund in FY 2025 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 Department of Administration indicates that adjusting state income tax collections has the potential to have a fiscal effect on the amount of revenue collected from its debt setoff program. This program intercepts individual income tax refunds and homestead tax refunds and applies those amounts to debts owed to state agencies, municipalities, district courts, and state agencies in other states. Debts include, but are not limited to child support, taxes, educational expenses, fines, services provided to the debtor, and court ordered restitution. As the dollar amounts of refunds are increased, the amount available for possible debt setoffs is also increased. However, the Department is unable to make an estimate of the amount of additional debt setoffs that would be intercepted as a result of the bill. Any fiscal effect associated with SB 436 is not reflected in *The FY 2025 Governor's Budget Report*.

Sincerely,

Adam C. Proffitt
Director of the Budget

cc: Tamara Emery, Department of Administration
Lynn Robinson, Department of Revenue