

March 3, 2021

The Honorable Adam Smith, Chairperson
House Committee on Taxation
Statehouse, Room 185A-N
Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2414 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2414 is respectfully submitted to your committee.

Under current law, only corporate taxpayers can claim the 50.0 percent child day care assistance tax credit if they provide facilities and necessary equipment for a child day care services in the initial year and could claim the 30.0 percent tax credit if they provide these services in future years or if the taxpayer pays for or locates child day care services for their employees. HB 2414 would also allow individual income taxpayers to claim this tax credit and increases the tax credit to 50.0 percent for taxpayers that provide facilities and necessary equipment for a child day care services after the initial year or if the taxpayer pays for or locates child day care services for their employees beginning in tax year 2021.

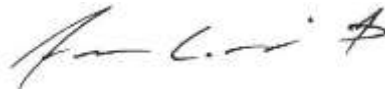
Estimated State Fiscal Effect				
	FY 2021 SGF	FY 2021 All Funds	FY 2022 SGF	FY 2022 All Funds
Revenue	--	--	(\$89,000)	(\$89,000)
Expenditure	--	--	\$97,164	\$97,164
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2414 would decrease State General Fund revenues by \$89,000 in FY 2022. The Department indicates that similar results would also occur in future fiscal years. To formulate these estimates, the Department reviewed historical data on the child day care assistance tax credit that was available to be claimed by individual taxpayers

prior to tax year 2013. While the tax credit is capped at \$3.0 million per year, the Department estimates that only an additional \$89,000 in tax credits will be claimed in tax year 2021 or FY 2022.

The Department of Revenue indicates that it would require a total \$97,164 from the State General Fund in FY 2022 to implement the bill and to modify the automated tax system. The bill would require the Department to hire 3.00 new FTE positions to review, process, and audit additional income tax returns. 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 2414 is not reflected in *The FY 2022 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