

March 7, 2022

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 548-S
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 462 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 462 is respectfully submitted to your committee.

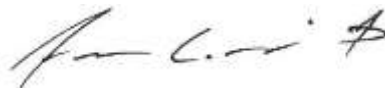
SB 462 would provide the homestead property tax refund on qualifying residential homestead property based on the total amount of property tax increase over the base year of tax year 2020 and qualified residents would be able to claim this refund beginning retroactively to tax year 2021. Tax year 2021 claims must be filed on or before April 15, 2023. To qualify for this refund program, the qualifying individual must be 65 years of age or older, or a disabled veteran. The qualifying individual must have a household income of \$50,000 or less and that amount would be adjusted each year according to the annual cost-of-living adjustments published by the Internal Revenue Service. A surviving spouse of a qualified individual would be able to continue to be eligible for the refund program unless the surviving spouse remarries. The bill defines a disabled veteran as a person who is a resident of Kansas and has been honorably discharged from active service in any branch of the armed forces of the United States or Kansas National Guard that is certified by the U.S. Department of Veterans Affairs to have at least a 50.0 percent permanent disability sustained while on active duty. Taxpayers claiming this new refund would be prohibited from receiving the Homestead Property Tax Refund or the Selective Assistance for Effective Senior Relief tax credit.

Estimated State Fiscal Effect				
	FY 2022 SGF	FY 2022 All Funds	FY 2023 SGF	FY 2023 All Funds
Revenue	--	--	(\$20,600,000)	(\$20,600,000)
Expenditure	--	--	\$159,976	\$159,976
FTE Pos.	--	--	--	1.00

The Department of Revenue estimates that SB 462 would decrease State General Fund revenues by \$20.6 million in both FY 2022 and FY 2023, by \$21.4 million in FY 2024, and by \$29.4 million in FY 2025. To formulate the estimates, the Department of Revenue reviewed housing, population, and veteran data from the U.S. Census Bureau and housing and property tax data from the Property Valuation Division of the Department of Revenue. The Department estimates approximately 78,128 households would participate in this new program for tax year 2021. Because the bill is retroactive to tax year 2021, the Department assumes individual income taxpayers would amend tax year 2021 returns and apply for refunds in FY 2023. The estimate for FY 2023 includes 100.0 percent of tax year 2021 tax liability and 100.0 percent of tax year 2022 tax liability. The estimate for FY 2024 includes 100.0 percent of tax year 2023 tax liability.

The Department of Revenue indicates that it would require a total of \$159,976 from the State General Fund in FY 2023 to implement the bill and to modify the automated tax system. The bill would require the Department to hire 1.00 new FTE position to manage this new tax credit program and to answer questions from taxpayers. The bill would require \$55,668 from the State General Fund in FY 2024 and in future fiscal years for the ongoing costs for the new FTE position. This bill would require modifications to 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 SB 462 is not reflected in *The FY 2023 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