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Laura Kelly, Governor

March 6, 2023

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 264 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 264 is respectfully submitted to your committee.

Under current law, the non-refundable income tax credit for expenses for household and dependent care services necessary for gainful employment (more commonly referred to as the Child and Dependent Care Tax Credit) is set at 25.0 percent of the credit claimed against the taxpayer's federal income tax liability under Section 21 of the federal Internal Revenue Code in tax year 2023 and in all future tax years. SB 264 would set the tax credit at 50.0 percent in tax year 2023 and in all future tax years.

Estimated State Fiscal Effect				
	FY 2023 SGF	FY 2023 All Funds	FY 2024 SGF	FY 2024 All Funds
Revenue	--	--	($6,000,000)	($6,000,000)
Expenditure	--	--	$29,095	$29,095
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 264 would decrease State General Fund revenues by $6.0 million in FY 2024, FY 2025, and FY 2026. To formulate these estimates, the Department of Revenue reviewed recent data from the Internal Revenue Service on the amount of federal Child and Dependent Care Tax Credits that were claimed by individual income taxpayers. The Department indicates that approximately $6.0 million in tax credits would be claimed by individual taxpayers in tax year 2023 under current law that allows taxpayers to claim 25.0 percent of the federal credit. Allowing taxpayers to receive 50.0 percent of the federal credit in tax year 2023, would allow taxpayers to claim an additional $6.0 million or a total of $12.0 million in tax credits in tax year 2023 or FY 2024.

The Department indicates that the bill would require $29,095 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 SB 264 is not reflected in *The FY 2024 Governor's Budget Report*.

Sincerely,

Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue