

March 3, 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 136 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 136 is respectfully submitted to your committee.

SB 136 would create a new income tax credit for the installation of certain water conservation systems in newly constructed houses. The income tax credit would be equal to 25.0 percent of the expenditures paid by a qualified taxpayer for the installation of a qualified water conservation system, up to \$1,000. The tax credit would be nonrefundable and could be carried forward for up to five years. The Department of Revenue would be required to annually certify the tax credit amount allowed for each eligible taxpayer. The new tax credit would apply to water conservation systems installed between January 1, 2023, and December 31, 2029. The bill would allow the Department of Revenue to establish rules and regulations to administer the tax credit program. The Kansas Department of Health and Environment (KDHE) would be allowed to establish rules and regulations for verification of the eligibility of an eligible taxpayer's expenditures used to claim the tax credit.

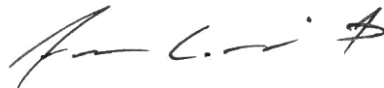
Estimated State Fiscal Effect				
	FY 2023 SGF	FY 2023 All Funds	FY 2024 SGF	FY 2024 All Funds
Revenue	--	--	(\$950,000)	(\$950,000)
Expenditure	--	--	\$139,588	\$139,588
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 136 would decrease State General Fund revenues by \$950,000 in FY 2024 and future fiscal years. To formulate these estimates, the Department of Revenue reviewed data on residential construction from the U.S. Census Bureau which indicate that 9,500 new dwelling units were constructed in Kansas in 2022. The Department assumes that 10.0 percent of new units would install a qualified water conservation system.

The Department indicates that the bill would require \$139,588 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.

KDHE indicates the costs to establish rules and regulations for verification of the eligibility of an eligible taxpayer's expenditures used to claim the tax credit would be negligible and could be absorbed within existing resources. Verification of the eligibility of water conservation systems would likely be delegated to local authorities, such as county sanitarians or stormwater utilities. Any fiscal effect associated with SB 136 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: Lynn Robinson, Department of Revenue
Amy Penrod, Department of Health & Environment
Debra Jones, Kansas Water Office