SESSION OF 2024

SUPPLEMENTAL NOTE ON SENATE BILL NO. 498

As Amended by Senate Committee on Assessment and Taxation

Brief*

SB 498, as amended, would amend the adoption tax credit, enact the Pregnancy Resource Act that would provide a tax credit for certain contributions to certain pregnancy resource centers and residential maternity facilities, and enact a sales tax exemption for pregnancy resource centers and residential maternity facilities.

Adoption Tax Credit

The bill would increase, beginning in tax year 2024, the adoption tax credit to 100 percent of the federal adoption tax credit.

[*Note:* Current law provides for a tax credit amount of 25 percent of the federal adoption tax credit and additional amounts of 25 percent if the child adopted was a Kansas resident prior to the adoption and 25 percent if the child was a Kansas resident prior to the adoption and is a child with special needs, as defined in federal law.]

The bill would make, beginning in tax year 2024, the adoption tax credit a refundable tax credit.

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*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at http://www.kslegislature.org

Pregnancy Resource Act

The bill would create the Pregnancy Resource Act, which would create a tax credit for contributions to nonprofit pregnancy centers or residential maternity centers exempt from federal income tax pursuant to Section 501(c)(3) of the federal Internal Revenue Code, provided that such centers:

- Maintain a dedicated phone number for clients;
- Maintain a primary physical office, clinic, or residential home in Kansas for a minimum of 20 hours a week, excluding state holidays;
- Offer services free of charge to clients for the express purpose of providing assistance to women in carrying pregnancies to term, preventing abortion, and promoting healthy childbirths, and
- Utilize trained and licensed medical professionals in the performance of any available medical procedures.

The bill would allow the credit to be claimed against income, privilege, or premium tax liability beginning in tax year 2024, in an amount equal to 70 percent of voluntary contributions made to such centers, and carried forward for up to five future tax years following the tax year in which the eligible contribution was made. The bill would prohibit contributions from being payment for services rendered.

The aggregate amount of credits claimed would be limited to $10.0 million per tax year, with no more than $5.0 million per tax year in credits claimed for contributions to any single organization.

Administration of Credits

Taxpayers claiming the credit would be required to provide the Department of Revenue (Department) with the amount of the contribution and the name of the organization to which it was made. Prior to claiming credits, taxpayers would be required to make application on forms provided by the Department certifying the dollar amount of the contribution made or to be made within the calendar year.

The Department would be required to allocate credits within 30 days after the receipt of an application. If the full credit amount cannot be allocated due to the annual aggregate limit having been reached, the Department would be required to notify applicants within 30 days of any amount to be allocated. The bill would require prospective contributions to be made within 90 days of the allocation of a credit, which would otherwise be canceled and reallocated.

Eligible charitable organizations would be required to provide the Department with a written certification, made under penalty of perjury, of eligibility in regard to the requirements specified by the bill, along with any other information the Department would require to administer its provisions. The Department would be required to review each such certification and make a determination of eligibility, and to make publicly available a list of eligible organizations. The Department would be authorized to periodically request recertification from organizations.

Credits claimed by S-corporations, partnerships, limited liability companies, or other pass-through entities would be distributed proportionally among shareholders, partners, or members according to ownership or as mutually agreed to by the parties.

Sales Tax Exemption for Pregnancy Resource Centers and Residential Maternity Facilities

The bill would create a sales tax exemption for purchases by a pregnancy resource center or residential maternity facility, which would be defined as a Kansas nonprofit organization exempt from the federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code that:

- Maintains a dedicated phone number for clients;
- Maintains a primary physical office, clinic, or residential home in Kansas for a minimum of 20 hours a week, excluding state holidays;
- Offers services free of charge to clients for the express purpose of providing assistance to women in carrying pregnancies to term, preventing abortion, and promoting healthy childbirth, and
- Utilizes trained and licensed medical professionals in the performance of any available medical procedures.

Background

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Erickson.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, **proponent** testimony was provided by representatives of Advice and Aid Pregnancy Centers, Kansas Catholic Conference, Kansas Family Voice, Kansans for Life, Lifeline Children's Services, and Wyandotte Pregnancy Clinic. The proponents generally stated the bill would encourage donations that would enable them to more effectively serve their clients.

Written-only proponent testimony was provided by representatives of Kansas City Pregnancy Clinic and Mary's Choices and two private citizens.

Opponent testimony was provided by a representative of Trust Women Foundation. The opponent generally stated state tax incentives for women's health care should be distributed to organizations providing comprehensive care.

Written-only opponent testimony was provided by representatives of Mainstream and Planned Parenthood Great Plains Votes.

No other testimony was provided.

The Senate Committee amended the bill to eliminate a provision that would have created a child tax credit.

Fiscal Information

According to the Department of Revenue, the Pregnancy Resource Act would reduce state receipts by $10.0 million per year beginning in FY 2025, the changes to the adoption tax credit would reduce state receipts by $8.0 million per year beginning in FY 2025, and the sales tax exemption for pregnancy resource centers and residential maternity facilities would reduce state receipts by approximately $390,000 in FY 2025 and $430,000 in FY 2026 and all future years.

Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2025 Governor's Budget Report*.

Taxation; credits; adoption; Pregnancy Resource Act; sales tax; exemption