

February 6, 2024

The Honorable Renee Erickson, Chairperson
Senate Committee on Commerce
300 SW 10th Avenue, Room 546-S
Topeka, Kansas 66612

Dear Senator Erickson:

SUBJECT: Fiscal Note for SB 329 by Senator Holland

In accordance with KSA 75-3715a, the following fiscal note concerning SB 329 is respectfully submitted to your committee.

SB 329 would discontinue the issuance of new Angel Investor Tax Credits after tax year 2024. Any remaining tax credits, including transferred tax credits that have been carried forward would be forfeited after December 31, 2028.

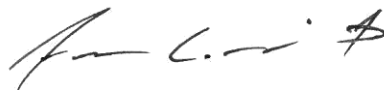
The Department of Revenue estimates that SB 329 would increase State General Fund revenues by \$2.5 million in FY 2026 and by \$2.8 million in FY 2027. To formulate these estimates, the Department of Revenue reviewed data on Angel Investor Tax Credits. Using the total amount of credits claimed and credits allowed, there is expected to be a carry forward of \$14.0 million remaining at the end of tax year 2024. The Department estimates \$2.7 million of the carried forward tax credits are expected to be claimed in both tax years 2025 and 2026. Under current law, the Department estimates \$5.2 million credits would be claimed in tax year 2025 and \$5.5 million in tax year 2026. The Department estimates that the bill would increase State General Fund revenues by \$2.5 million in tax year 2025 or FY 2026 with the difference in the amount of tax credits allowed under current law (\$5.2 million) minus that amount tax credits claimed under the provisions of the bill (\$2.7 million).

The Department indicates that the bill would require \$1,500 from the State General Fund in FY 2025 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.

The Department of Commerce indicates that it is currently responsible for administering the Angel Investor Tax Credit Program. The Governor's budget includes continuing funding for this program in FY 2025 to review applications from qualified investors and qualified businesses. Though no new credits would be issued in tax year 2025 under the provisions of the bill, previously issued credits may be carried over and each qualified business must maintain its headquarters and qualifying operations in Kansas for a minimum period of five years (unless they are a bioscience business; then they must remain in the state for ten years). The Department does not anticipate immediate changes to agency workload as the existing program manager would be required to review existing agreements, implement possible claw back plans, and satisfy tracking and reporting requirements. Any cost savings resulting from enactment of this bill would be delayed for at least three years as qualified businesses begin to meet the five-year benchmark to maintain their headquarters and qualifying operations in Kansas. The Department collects approximately \$40,000 in application fees for this program each year. The Department estimates that \$20,000 in application fees would not be collected from this program during the last half of FY 2025 and \$40,000 in application fees would not be collected in FY 2026.

The bill is not expected to have a fiscal effect on the operations of the Insurance Department. Under current law, insurance companies are able to claim the Angel Investor Tax Credit, but none have claimed this tax credit in the last eight years. Any fiscal effect associated with SB 329 is not reflected in *The FY 2025 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", with a stylized flourish at the end.

Adam C. Proffitt
Director of the Budget

cc: Bobbi Mariani, Insurance Department
Sherry Rentfro, Department of Commerce
Lynn Robinson, Department of Revenue