

SESSION OF 2019

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2043**

As Amended by House Committee on Taxation

**Brief\***

HB 2043, as amended, would require the Kansas Insurance Department, Kansas Department of Commerce, and Kansas Department of Revenue to periodically present to the appropriate Senate and House committees a review of certain tax credits, incentives, and sales tax exemptions.

***Kansas Insurance Department Review Schedule***

The bill would require the Commissioner of Insurance, on or before February 1 of each year, to present to the Senate Committee on Financial Institutions and Insurance and the House Committee on Insurance a review of the following tax credits, incentives, and sales tax exemptions, by year:

- In 2020, employee salary credits, business investment credits, and the Kansas Insurance Department Service Regulation Fund Credit;
- In 2021, the Health Insurance Association Assessment Credit, the Small Insurance Company Credit, and the Property and Casualty Insurance Guaranty Association Credit; and
- In 2022, the Fire Fighters Relief Fund Credit, the Fire Marshal Credit, the Life and Health Insurance Guaranty Association Credit, and the Disabled Accessibility 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>

### ***Kansas Department of Commerce Review Schedule***

The bill would require the Secretary of Commerce, on or before February 1 of each year, to present to the Senate Committee on Commerce and the House Committee on Commerce, Labor and Economic Development a review of the following tax credits, incentives, and sales tax exemptions, by year:

- In 2020, Sales Tax and Revenue (STAR) Bonds, the High Performance Incentive Program, and venture capital investment credits;
- In 2021, the Promoting Employment Across Kansas (PEAK) Act, Job Creation Fund expenditures, venture capital investment credits, and local seed capital pool investment credits, and
- In 2022, Rural Opportunity Zone Credits and student loans paid, Angel Investor Credits, and Individual Development Account Program Credits.

### ***Kansas Department of Revenue Review Schedule***

The bill would require the Secretary of Revenue, on or before February 1 of each year, to present to the Senate Committee on Assessment and Taxation and the House Committee on Taxation a review of the following tax credits, incentives, and sales tax exemptions, by year:

- In 2020, the Adoption Credit, the Earned Income Tax Credit, the Research and Development Credit, and property tax exemptions;
- In 2021, the Business and Job Development Credit, the Historic Preservation Credit, the Film Production Credit, and sales tax exemptions;

- In 2022, the Community Service Contribution Credit, the Environmental Compliance Credit, the Assistive Technology Contribution Credit, and the Low-Income Student Scholarship Credit, and
- In 2023, the tax credit on food purchases, the Telecommunications Property Tax Credit, and the Higher Education Differed Maintenance Credit.

The State Historical Society would assist the Kansas Department of Revenue with the presentation on the Historical Preservation Credit.

### ***Presentation and Report Requirements***

The bill would require the presentations by the Kansas Insurance Department, Kansas Department of Commerce, and Kansas Department of Revenue to include:

- A description of the incentive, its history, and its goals;
- An assessment of the incentive's design and administration; and
- An estimate of the incentive's economic and fiscal impact.

After the presentations by the Kansas Insurance Department, Kansas Department of Commerce, and Kansas Department of Revenue, the Senate and House committees would report to the Kansas Legislature a summary of each committee's findings, conclusions, and recommendations. The bill would require the committees' reports to be published on each respective agency's website.

### **Background**

The bill was introduced by Representative Gartner.

In the hearing held on January 30, 2019, by the House Committee on Taxation, Representative Gartner testified as a proponent, stating evaluation is a proven way to improve the effectiveness of incentives. A representative of the Kansas Center for Economic Growth submitted written-only proponent testimony, outlining the three steps that should be used to evaluate tax incentives.

No opponent or neutral testimony was provided.

The House Committee amended the bill to:

- Allow for unspecified or obsolete credits to be added or excluded, as requested by committee chairpersons; and
- Authorize the Kansas Historical Society to assist the Kansas Department of Revenue in the presentation of a Historical Preservation Credit.

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, Legislative Administrative Services (LAS) indicated the bill would have a negligible fiscal effect on LAS to produce reports to summarize each committee's findings, conclusions, and recommendations. The Kansas Department of Commerce, Kansas Department of Revenue, and Kansas Insurance Department indicated the bill would have a negligible fiscal effect on each respective agency.