

February 15, 2021

The Honorable Sean Tarwater, Chairperson  
House Committee on Commerce, Labor and Economic Development  
Statehouse, Room 151D-S  
Topeka, Kansas 66612

Dear Representative Tarwater:

**SUBJECT:** Fiscal Note for HB 2219 by House Committee on Commerce, Labor and Economic Development

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2219 is respectfully submitted to your committee.

HB 2219 would establish the Kansas Targeted Employment Act. The purpose of the Act would be to incentivize employers to hire individuals with developmental disabilities and decrease reliance and associated costs to taxpayers to fund governmental programs. Eligible businesses would receive a 50.0 percent non-refundable income tax credit based on the wages paid to eligible individuals with a developmental disability. The maximum tax credit is capped at \$7.50 per hour and the wage cannot be more than a reasonable or typical wage rate for a similar job. The credit would only apply to wages for hours worked and not for any compensation for leave paid to the eligible individual. The tax credit would be available beginning in tax year 2021 through tax year 2026 and the tax credit would be capped at \$5.0 million for each tax year. The bill includes definitions competitive integrated employment, community service provider, earned income, eligible individual, developmental disability, and targeted employment business. The Department of Revenue and the Department for Aging and Disability Services (KDADS) would have the authority to write rules and regulations to implement the program.

The bill would require KDADS to develop and implement a program to measure the results of the tax credits to include the following:

1. Decreases in reliance upon state government-funded subsidies for employed eligible individuals and any associated net savings to Kansas taxpayers resulting from any decreases in reliance;

2. Effects of reallocation of tax dollars that employers would have paid to the state government of Kansas to employers who employed eligible individuals pursuant to the tax credit program; and
3. Measurement of the benefits or detriments to the quality of life and the standard of living for employed eligible individuals, including access to health insurance, healthcare or other services and increases or decreases in income, discretionary income, and expenses.

KDADS would be allowed to receive confidential tax information from the Department of Revenue and would be allowed access to additional information from the eligible individual and business as a condition for participating in this program. The bill would require KDADS to submit a written report that shows the results of this tax credit program to the Senate Committee on Commerce and the House Committee on Commerce, Labor and Economic Development on the first days of the 2022 through 2026 Legislative Sessions.

The Department of Revenue estimates that HB 2219 would decrease State General Fund revenues by \$5.0 million in FY 2022. The fiscal effect to state revenues during subsequent years would be as follows:

	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
State General Fund	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)

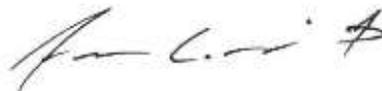
The Department of Revenue does not have data on individuals with developmental disabilities that are currently employed or would be employed under the provisions of this bill to provide a precise estimate of the fiscal effect. However, it is assumed that the full \$5.0 million in tax credits would be claimed each year.

The Department of Revenue indicates that it would require a total \$201,598 from the State General Fund in FY 2022 to implement the bill and to modify the automated tax system. The bill would require the Department to hire 1.00 new FTE position to answer questions from taxpayers about this new program and to provide confidential tax information to KDADS. 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.

KDADS indicates that it would require at least \$555,750 from the State General Fund in FY 2022 to implement the bill. The bill would require the agency to hire 5.00 new FTE positions to develop and implement a program to measure the results of the tax credits, including three program staff and two application developer positions. KDADS would be required to develop and maintain a secure IT system that tracks confidential taxpayer information. Since KDADS does not have tax expertise, the bill would require it to contract with a tax consultant to help develop this new program that measures the results of the tax credit. Until the scope of work is developed, the costs to develop the secure IT system and to hire a tax consultant are unknown. The bill has

the potential to provide benefits to employers that hire individuals that may also receive services from KDADS. However, KDADS does not have data to provide a precise estimate on how the bill would impact the amount of developmental disability benefits. Any fiscal effect associated with HB 2219 is not reflected in *The FY 2022 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  
Connie Hubbell, Aging & Disability Services