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Laura Kelly, Governor

March 10, 2023

The Honorable Adam Smith, Chairperson
House Committee on Taxation
300 SW 10th Avenue, Room 346-S
Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2424 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2424 is respectfully submitted to your committee.

HB 2424 would establish a refundable income, privilege, or premium tax credit for direct payments made by employers for student loans on behalf of a qualified employee. The credit would be equivalent to 50.0 percent of the payment made on a student loan during the taxable year and would be limited to $5,250 per eligible student and $500,000 per taxpayer. The cumulative amount of all tax credits that can be claimed is capped at $5.0 million per tax year. A qualified employee would be defined as a Kansas resident who has received a student loan, is not an owner or partner of the employer, and has completed their first bachelor's degree within the preceding five years. The credit would be in effect from tax year 2023 through tax year 2027.

Estimated State Fiscal Effect				
	FY 2023 SGF	FY 2023 All Funds	FY 2024 SGF	FY 2024 All Funds
Revenue	--	--	($5,000,000)	($5,000,000)
Expenditure	--	--	$128,781	$128,781
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2424 would decrease State General Fund revenues by $5.0 million in FY 2024 and subsequent fiscal years. To formulate these estimates, the Department of Revenue reviewed data on student loan debt from the Federal Reserve. The Federal Reserve estimates that 640,000 Kansas citizens hold a bachelor's degree or better, and that the average student loan balance is $33,000. If employers in Kansas paid the maximum amount allowed per employee of $5,250 in student debt for 950 qualified employees, the total impact each year would be $5.0 million in refundable credits.

The Department indicates that the bill would require $128,781 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.

The Insurance Department indicates that the bill would also allow insurance companies to claim this new tax credit. If insurance companies claim this tax credit, then it would reduce insurance premiums taxes collections that are distributed to the Start General Fund (99.0 percent) and the Insurance Service Regulation Fund (1.0 percent). The Insurance Department indicates the computer programming costs to allow the processing of insurance premium tax returns with this new tax credit would be negligible and could be absorbed within existing resources. Any fiscal effect associated with HB 2424 is not reflected in *The FY 2024 Governor's Budget Report*.

Sincerely,

Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Bobbi Mariani, Insurance Department