

March 13, 2019

The Honorable Steven Johnson, Chairperson  
House Committee on Taxation  
Statehouse, Room 185-N  
Topeka, Kansas 66612

Dear Representative Johnson:

**SUBJECT:** Fiscal Note for HB 2251 by Representative Hodge

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2251 is respectfully submitted to your committee.

Under current law, the non-refundable income tax credit for expenses for household and dependent care services necessary for gainful employment (more commonly referred to as the Child and Dependent Care Tax Credit) is set at 18.75 percent of the credit claimed against the taxpayer's federal income tax liability under Section 21 of the federal Internal Revenue Code in tax year 2019 and 25.0 percent in tax year 2020 and in all future tax years. HB 2251 would set the tax credit at 25.0 percent in tax year 2019, 37.5 percent in tax year 2020, and 50.0 percent in tax year 2021 and in all future tax years.

Estimated State Fiscal Effect				
	FY 2019 SGF	FY 2019 All Funds	FY 2020 SGF	FY 2020 All Funds
Revenue	--	--	(\$2,100,000)	(\$2,100,000)
Expenditure	--	--	\$132,050	\$132,050
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2251 would decrease State General Fund revenues by \$2.1 million in FY 2020, \$4.2 million in FY 2021, and \$8.3 million in FY 2022. To formulate these estimates, the Department of Revenue reviewed data from the Internal Revenue Service on the amount of federal Child and Dependent Care Tax Credits that were claimed by individual income taxpayers in tax year 2016. The Department indicates that approximately 61,690 Kansas taxpayers claimed approximately \$33.3 million in federal Child and Dependent Care Tax Credits in tax year 2016. The Department assumes that approximately \$6.2 million in

tax credits would be claimed by individual taxpayers in tax year 2019 under current law that allows taxpayers to claim 18.75 percent of the federal credit. Allowing taxpayers to receive 25.0 percent of the federal credit in tax year 2019, would allow taxpayers to claim an additional \$2.1 million or a total of \$8.3 million in tax credits in tax year 2019 or FY 2020. The Department of Revenue indicates that the State General Fund estimate for FY 2020 is based on the November 2018 Consensus Revenue Estimate.

The Department of Revenue indicates that it would require a total \$132,050 from the State General Fund in FY 2020 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 and outside contract programmer services. 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 Administration indicates that adjusting state income tax collections has the potential to have a fiscal effect on the amount of revenue collected from its debt setoff program. This program intercepts individual income tax refunds and homestead tax refunds and applies those amounts to debts owed to state agencies, municipalities, district courts, and state agencies in other states. Debts include, but are not limited to child support, taxes, educational expenses, fines, services provided to the debtor, and court ordered restitution. As the dollar amounts of refunds are increased, the amount available for possible debt setoffs is also increased. However, the Department is unable to make an estimate of the amount of additional debts setoffs that will be intercepted as a result of the bill. Any fiscal effect associated with HB 2251 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink that reads "L. L. Campbell". The signature is fluid and cursive, with the first and last names clearly legible.

Larry L. Campbell  
Director of the Budget

cc: Lynn Robinson, Department of Revenue  
Colleen Becker, Department of Administration