

March 21, 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 2465 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2465 is respectfully submitted to your committee.

HB 2465 would amend the SALT Parity Act to clarify the determination of taxable income of an electing pass-through entity, and to provide for the passing-through of tax credits to electing pass-through entity owners. The bill clarifies that an electing pass-through entity would be subject to tax equal to 5.7 percent of the sum of each resident and nonresident electing pass-through entity's income attributable to Kansas; and each resident electing passthrough entity owner's pro rata or distributive share of the electing pass-through entity's income not attributable to Kansas. The bill includes language that simplifies the passing-through of tax credits to electing pass-through entity owners. The changes to the SALT Parity Act would be applied retroactively beginning in tax year 2022.

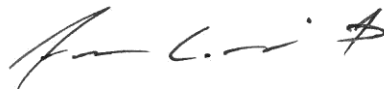
Estimated State Fiscal Effect				
	FY 2023 SGF	FY 2023 All Funds	FY 2024 SGF	FY 2024 All Funds
Revenue	--	--	--	--
Expenditure	--	--	\$70,391	\$70,391
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2465 would have no fiscal effect on State General Fund receipts. The SALT Parity Act only impacts individual taxpayers who receive income from a pass-through entity and allows only those taxpayers to lower their federal income

taxes by working around the federal government limitation on the deduction of certain state and local taxes.

The Department indicates that the bill would require \$70,391 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. Any fiscal effect associated with HB 2465 is not reflected in *The FY 2024 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