

March 6, 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 2233 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2233 is respectfully submitted to your committee.

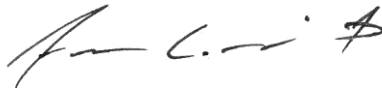
Under current law, tax credits for the restoration and preservation of certain commercial structures and the installation of fire suppression materials or equipment under the Historic Kansas Act are capped at \$10.0 million each tax year. HB 2233 would remove this cap retroactively beginning in tax year 2022.

The Department of Revenue estimates that HB 2233 would decrease State General Fund revenues by unknown amounts beginning in FY 2024. The Department of Revenue's Property Valuation Division indicates that there are currently 77,354 commercial buildings in the State of Kansas which are over 50 years of age which could qualify for the tax credit. The possible fiscal effect under different scenarios that taxpayers could claim this 10.0 percent tax credit could be as follows:

<u>Percent of Buildings Claiming Tax Credit</u>	<u>Level of Expenditures</u>	<u>Tax Credit</u>	<u>Fiscal Effect</u>
5.0%	\$25,000 (minimum)	\$2,500 (minimum)	\$9,670,000
5.0%	\$500,000 (maximum)	\$50,000 (maximum)	\$193,400,000
10.0%	\$25,000 (minimum)	\$2,500 (minimum)	\$19,337,500
10.0%	\$500,000 (maximum)	\$50,000 (maximum)	\$386,750,000
33.3%	\$25,000 (minimum)	\$2,500 (minimum)	\$64,462,500
33.3%	\$500,000 (maximum)	\$50,000 (maximum)	\$1,289,250,000
100.0%	\$25,000 (minimum)	\$2,500 (minimum)	\$193,385,000
100.0%	\$500,000 (maximum)	\$50,000 (maximum)	\$3,867,700,000

The Department has no data to estimate the fiscal effect of the 10.0 percent tax credit on the installation of fire suppression materials or equipment, so the overall fiscal effect of the bill would likely be higher. Under current law, the Department assumes that \$10.0 million in tax credits would be claimed in in each tax year. The Department indicates that the administrative costs associated with implementing the provisions of the bill would be negligible and could be absorbed within existing resources. Any fiscal effect associated with HB 2233 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
Matthew Chappell, Historical Society