February 6, 2023

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
300 SW 10th Avenue, Room 548-S
Topeka, Kansas  66612

Dear Senator Tyson:

SUBJECT:  Fiscal Note for SB 126 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 126 is respectfully submitted to your committee.

SB 126 would create a new income tax credit for certain residential solar and wind energy property expenditures beginning in tax year 2023. The income tax credit would only be allowed to be claimed by Kansas residents and would be equal to 100.0 percent of the amount claimed for the federal Residential Clean Energy Credit. The tax credit would be non-refundable and could be carried forward to future tax years until the full amount of the credit has been used.

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<thead>
<tr>
<th>Estimated State Fiscal Effect</th>
<th>FY 2023</th>
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<th>FY 2024</th>
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<tbody>
<tr>
<td></td>
<td>SGF</td>
<td>All Funds</td>
<td>SGF</td>
<td>All Funds</td>
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<tr>
<td>Revenue</td>
<td>--</td>
<td>--</td>
<td>($40,500,000)</td>
<td>($40,500,000)</td>
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<tr>
<td>Expenditure</td>
<td>--</td>
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<td>$103,444</td>
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<td>FTE Pos.</td>
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The Department of Revenue estimates that SB 126 would decrease State General Fund revenues by $40.5 million in FY 2024, $42.5 million in FY 2025, and $44.7 million in FY 2026. To formulate these estimates, the Department of Revenue reviewed data from the Internal Revenue Service that indicates that federal credits allowed for the federal Residential Clean Energy Credit for qualified solar electric property expenditures, qualified solar water heating expenditures, and small wind energy property expenditures were about $3.5 billion in tax year 2020. Assuming Kansas represents approximately 1.0 percent of the federal impact, Kansas individual income
taxpayers are estimated to qualify for approximately $35.0 million in federal Residential Clean Energy Credits in tax year 2020. Assuming 5.0 percent growth in this credit, the impact in tax year 2023 or FY 2024 is approximately $40.5 million.

The Department indicates that the bill would require $103,444 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 SB 126 is not reflected in The FY 2024 Governor’s Budget Report.

Sincerely,

Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
    Peter Barstad, Kansas Corporation Commission