

April 26, 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 2416 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2416 is respectfully submitted to your committee.

HB 2416 would create the Kansas Targeted Employment Act, which would be established to:

1. Decrease the reliance on Medicaid and other state programs by incentivizing employers to hire individuals who are reliant on the programs; and
2. Reallocate employer-paid tax dollars back to employers to incentivize them to hire individuals who are reliant on Medicaid and other state programs.

Beginning in tax year 2019, the bill would allow a credit against the income, privilege or premium tax liability of a taxpayer qualifying as a targeted employment business. "Targeted employment business" would be defined to mean employers who employ individuals in competitive employment in an integrated setting and who are authorized to do business in Kansas. "Integrated setting" would be defined to mean a place of employment that is typically found in the community in which people with disabilities are able to interact with non-disabled individuals. The credit would be equal to \$4 for every hour that an eligible employee is employed. The employee must be employed for at least 2080 hours in a calendar year. The credit would increase to \$6 per hour if the targeted employment business employs an eligible employee in a job that has been relocated from another county.

A community service provider that operates a sheltered workshop would have the option to convert to a targeted employment business. "Sheltered workshop" would be defined to mean a work center that provides vocational training and paid work opportunities for people who have intellectual disabilities.

The Kansas Department of Revenue indicates enactment of the bill would decrease revenue to the State General Fund in FY 2020 and beyond. However, the Department is unable to estimate the fiscal effect on State General Fund revenue because the Department does not possess data regarding the number of employers and employees who would be eligible under the Act. The Department indicates that it would require a total of \$889,912 from the State General Fund in FY 2020 to implement the bill, including modifications to the automated tax system. The programming required would be performed by existing staff and outside contract programmer services. In addition, if the combined effect of implementing the 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 Kansas Department of Health and Environment (KDHE) indicates the bill would have a fiscal effect, but the fiscal effect is unknown. The Department is unable to estimate the rates of participation of employees who would be eligible under the Act. KDHE notes that intellectual or developmental disability (I/DD) members who participated in the Department's Work Opportunities Reward Kansans (WORK) program in calendar year 2018 generally worked part-time (20 to 30 hours per week). KDHE indicates that it is likely that these members would have difficulty working full-time. Members who are I/DD-eligible and wish to work full-time would still be eligible to participate in the WORK program. However, KDHE indicates a member's obligation would increase with a full-time income. The Kansas Department for Aging and Disability Services estimates the bill would have a fiscal effect on the Department. However, the agency is unable to estimate what the fiscal effect would be. Any fiscal effect associated with HB 2416 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,



Larry L. Campbell  
Director of the Budget

cc: Lynn Robinson, Department of Revenue  
Cody Gwaltney, Aging & Disability Services  
Dale Dennis, Education  
Dan Thimmesch, Health & Environment