



Kansas Legislative Research Department

*Providing nonpartisan, objective research and fiscal
analysis for the Kansas Legislature since 1934*

68-West-Statehouse | 300 SW 10th Ave. | Topeka, Kansas 66612-1504
(785) 296-3181

kslegres@klrd.ks.gov

<https://klrd.gov/>

June 5, 2025

To: Legislative Coordinating Council and Governor Laura Kelly

From: Kansas Legislative Research Department and Division of the Budget

Re: Legislative Adjustments to Consensus Estimates for FY 2025 and FY 2026

Pursuant to KSA 75-6701, the most recent estimates of State General Fund (SGF) receipts for FY 2025 and FY 2026 have been adjusted to reflect the fiscal impact of legislation involving receipts to the SGF enacted during the 2025 Legislative Session subsequent to the Consensus Revenue Estimate (CRE) made on April 17, 2025 (see Table 1).

Estimated tax receipts for FY 2026 were decreased by \$4.6 million relative to the April 17 estimate. There were no changes to the estimate for FY 2025.

Tables 2–3 show changes by source for each fiscal year and incorporate those changes into the overall estimate for that year. Table 2 establishes the newly revised estimate for FY 2025, and Table 3 establishes the new baseline estimate for FY 2026 that will be revised again in the fall.

Table 4 provides more specific information on the legislative adjustments by bill and by source for FY 2026.

A final section of this report discusses the implications for SGF receipts in FY 2027 and subsequent years relative to certain upcoming changes in law.

The Consensus Revenue Estimating Group will meet again prior to December 4 to consider revisions to the newly adjusted FY 2026 estimate and issue the initial estimate for FY 2027.

FY 2026

The following FY 2026 adjustment was made:

- **HB 2231**, which, among other things, makes changes to certain individual income personal exemption amounts and changes the definition of “income” for purposes of qualifying for a tax-freeze property tax rebate, reduces individual income tax receipts to the SGF by \$4.6 million.

FY 2027 and Thereafter

Housing and Tax Credits. The Kansas Affordable Housing Tax Credit, provided for in 2022 HB 2237, is expected to begin materially reducing state receipts in either FY 2026 or FY 2027. This reduction in receipts is anticipated to be at least \$25.0 million in the first year and will grow over time. However, 2025 HB 2289 limited and eventually discontinued this tax credit. Accordingly, the fiscal impact of the credit is anticipated to grow for several years as housing projects come online before leveling off and eventually declining in response to the discontinuation of the credit.

Special City and County Highway Fund Revenue Sharing. Current law provides for reinstatement of transfers from the SGF to the Special City and County Highway Fund beginning in FY 2028. The transfer amount is anticipated to be approximately \$11.5 million per year.

Formulaic Reductions to Income Tax Rates. SB 269 created a formula to reduce individual and corporation income tax rates and financial institutions privilege tax rates contingent upon income tax receipts exceeding the inflation-adjusted FY 2024 amount. Because of tax policy changes made during the 2024 Special Session, rate reductions attributable to the formula are not anticipated to occur prior to tax year 2027. The year in which rates will initially be reduced is unknown.

Corporation Income Tax Apportionment Provisions. As a part of the transition to sales factor apportionment for corporation income tax, HB 2231 includes a provision that could reduce corporation income tax rates in tax year 2029 based on the growth in receipts in FY 2028. Additionally, the transition to single-factor apportionment could reduce receipts beginning in FY 2027 because of the change of apportionment for railroads and interstate motor carriers. Finally, the deferred tax deduction included in the bill could reduce receipts by an indeterminate amount beginning in tax year 2035.

Table 1
State General Fund Receipts
(Dollars in Thousands)

	Consensus Estimate June 5, 2025					
	FY 2024 (Actual)		FY 2025 (Revised)		FY 2026 (Revised)	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Income Taxes:						
Individual	\$ 4,503,615	(0.1) %	\$ 4,450,000	(1.2) %	\$ 4,670,380	5.0 %
Corporation	1,419,201	(5.7)	1,325,000	(6.6)	1,325,000	--
Financial Institutions	46,580	(18.2)	45,000	(3.4)	45,000	--
Total	\$ 5,969,396	(1.6) %	\$ 5,820,000	(2.5) %	\$ 6,040,380	3.8 %
Sales & Use Taxes:						
Retail Sales	\$ 2,678,278	(3.6) %	\$ 2,555,000	(4.6) %	\$ 2,515,000	(1.6) %
Compensating Use	861,205	7.2	890,000	3.3	920,000	3.4
Total	\$ 3,539,483	(1.1) %	\$ 3,445,000	(2.7) %	\$ 3,435,000	(0.3) %
Other Excise Taxes:						
Cigarette	\$ 90,094	(8.5) %	\$ 82,000	(9.0) %	\$ 77,000	(6.1) %
Tobacco Products	10,509	1.5	10,300	(2.0)	10,400	1.0
Liquor Gallonage	24,703	1.4	24,300	(1.6)	24,300	--
Liquor Enforcement	83,715	0.0	83,000	(0.9)	83,500	0.6
Liquor Drink	15,225	1.8	15,200	(0.2)	15,300	0.7
Gas Severance	(1,617)	(107.7)	2,900	279.4	6,900	137.9
Oil Severance	25,924	(30.4)	24,200	(6.6)	18,600	(23.1)
Total	\$ 248,553	(14.3) %	\$ 241,900	(2.7) %	\$ 236,000	(2.4) %
Other Taxes:						
Insurance Premiums	\$ 220,680	12.9 %	\$ 218,000	(1.2) %	\$ 215,000	(1.4) %
Motor Carrier	11,786	(1.6)	11,600	(1.6)	11,400	(1.7)
Corporate Franchise	8,224	(10.5)	9,800	19.2	9,500	(3.1)
Miscellaneous	5,712	9.3	5,300	(7.2)	5,300	--
Total	\$ 246,402	11.0 %	\$ 244,700	(0.7) %	\$ 241,200	(1.4) %
Total Taxes	\$ 10,003,834	(1.5) %	\$ 9,751,600	(2.5) %	\$ 9,952,580	2.1 %
Other Revenues:						
Interest	\$ 395,775	97.4 %	\$ 405,000	2.3 %	\$ 280,000	(30.9) %
Net Transfers	(371,151)	68.9	(378,200)	(1.9)	(286,000)	(24.4)
Agency Earnings	111,103	(4.7)	111,300	0.2	114,300	2.7
Total	\$ 135,727	115.5 %	\$ 138,100	1.7 %	\$ 108,300	(21.6) %
Total Receipts	<u>\$ 10,139,561</u>	<u>9.2 %</u>	<u>\$ 9,889,700</u>	<u>(2.5) %</u>	<u>\$ 10,060,880</u>	<u>1.7 %</u>

Table 2
State General Fund Receipts
FY 2025 Revised
Comparison of June 2025 Estimate with April 2025 Estimate
(Dollars in Thousands)

	FY 2025 CRE Est. Revised 4/17/2025	FY 2025 CRE Est. Revised 6/5/2025	Difference	
			Amount	Pct. Chg.
Income Taxes:				
Individual	\$ 4,450,000	\$ 4,450,000	\$ --	-- %
Corporation	1,325,000	1,325,000	--	--
Financial Institutions	45,000	45,000	--	--
Total	\$ 5,820,000	\$ 5,820,000	\$ --	-- %
Sales & Use Taxes:				
Retail Sales	\$ 2,555,000	\$ 2,555,000	\$ --	-- %
Compensating Use	890,000	890,000	--	--
Total	\$ 3,445,000	\$ 3,445,000	\$ --	-- %
Other Excise Taxes:				
Cigarette	\$ 82,000	\$ 82,000	\$ --	-- %
Tobacco Products	10,300	10,300	--	--
Liquor Gallonage	24,300	24,300	--	--
Liquor Enforcement	83,000	83,000	--	--
Liquor Drink	15,200	15,200	--	--
Gas Severance	2,900	2,900	--	--
Oil Severance	24,200	24,200	--	--
Total	\$ 241,900	\$ 241,900	\$ --	-- %
Other Taxes:				
Insurance Premiums	\$ 218,000	\$ 218,000	\$ --	-- %
Motor Carrier	11,600	11,600	--	--
Corporate Franchise	9,800	9,800	--	--
Miscellaneous	5,300	5,300	--	--
Total	\$ 244,700	\$ 244,700	\$ --	-- %
Total Taxes	\$ 9,751,600	\$ 9,751,600	\$ --	-- %
Other Revenues:				
Interest	\$ 405,000	\$ 405,000	\$ --	-- %
Net Transfers	(378,200)	(378,200)	--	--
Agency Earnings	111,300	111,300	--	--
Total	\$ 138,100	\$ 138,100	\$ --	-- %
Total Receipts	\$ 9,889,700	\$ 9,889,700	\$ --	-- %

Table 3
State General Fund Receipts
FY 2026 Revised
Comparison of June 2025 Estimate with April 2025 Estimate
(Dollars in Thousands)

	FY 2026 CRE Est. Revised 4/17/2025	FY 2026 CRE Est. Revised 6/5/2025	Difference	
			Amount	Pct. Chg.
Income Taxes:				
Individual	\$ 4,675,000	\$ 4,670,380	\$ (4,620)	(0.1) %
Corporation	1,325,000	1,325,000	--	--
Financial Institutions	45,000	45,000	--	--
Total	\$ 6,045,000	\$ 6,040,380	\$ (4,620)	(0.1) %
Sales & Use Taxes:				
Retail Sales	\$ 2,515,000	\$ 2,515,000	\$ --	-- %
Compensating Use	920,000	920,000	--	--
Total	\$ 3,435,000	\$ 3,435,000	\$ --	-- %
Other Excise Taxes:				
Cigarette	\$ 77,000	\$ 77,000	\$ --	-- %
Tobacco Products	10,400	10,400	--	--
Liquor Gallonage	24,300	24,300	--	--
Liquor Enforcement	83,500	83,500	--	--
Liquor Drink	15,300	15,300	--	--
Gas Severance	6,900	6,900	--	--
Oil Severance	18,600	18,600	--	--
Total	\$ 236,000	\$ 236,000	\$ --	-- %
Other Taxes:				
Insurance Premiums	\$ 215,000	\$ 215,000	\$ --	-- %
Motor Carrier	11,400	11,400	--	--
Corporate Franchise	9,500	9,500	--	--
Miscellaneous	5,300	5,300	--	--
Total	\$ 241,200	\$ 241,200	\$ --	-- %
Total Taxes	\$ 9,957,200	\$ 9,952,580	\$ (4,620)	(0.0) %
Other Revenues:				
Interest	\$ 280,000	\$ 280,000	\$ --	-- %
Net Transfers	(286,000)	(286,000)	--	--
Agency Earnings	114,300	114,300	--	--
Total	\$ 108,300	\$ 108,300	\$ --	-- %
Total Receipts	\$ 10,065,500	\$ 10,060,880	\$ (4,620)	(0.0) %

Table 4 - Legislative Adjustments by Bill by Source to FY 2026 Estimates
(\$ in millions)

		Individual	Other Taxes	Non-Tax Receipts	Total
HB 2231	Personal Exemption & Property Tax Refund Changes	\$ (4.620)	\$ --	\$ --	\$ (4.620)
Total		\$ (4.620)	\$ --	\$ --	\$ (4.620)