



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/>

May 28, 2026

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 2026 and FY 2027

Pursuant to KSA 75-6701, the most recent estimates of State General Fund (SGF) receipts for FY 2026 and FY 2027 have been adjusted to reflect the fiscal impact of legislation involving receipts to the SGF enacted during the 2026 Legislative Session subsequent to the Consensus Revenue Estimate (CRE) made on April 20, 2026 (see Table 1).

Estimated tax receipts for FY 2027 were decreased by \$3.0 million relative to the April 20 estimate. There were no changes to the estimate for FY 2026.

Tables 2 and 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 2026, and Table 3 establishes the new baseline estimate for FY 2027 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 2027.

A final section of this report discusses the implications for SGF receipts in FY 2028 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 2027 estimate and issue the initial estimate for FY 2028.

FY 2027

The following FY 2027 adjustments were made:

- **SB 82**, which, among other things, creates tax credits for certain sales of higher-ethanol blends of fuels and purchases of lockable gun and ammunition storage devices, reduces corporation income tax receipts to the SGF by \$2.4 million and individual income tax receipts to the SGF by \$0.6 million.

FY 2028 and Thereafter

Housing tax credits. The Kansas Housing Investor Tax Credit and Affordable Housing Tax Credit, provided for in 2022 HB 2237, have begun materially reducing state receipts in various tax sources. This reduction in receipts is anticipated to grow over time. However, 2025 HB 2289 limited and eventually discontinued the Affordable Housing 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 2029. The transfer amount is anticipated to be approximately \$11.5 million per year.

Formulaic reductions to income tax rates. 2025 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 in the immediate future. 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, 2025 HB 2231 included 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 May 28, 2026					
	FY 2025 (Actual)		FY 2026 (Revised)		FY 2027 (Revised)	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Income Taxes:						
Individual	\$ 4,675,736	3.8 %	\$ 4,945,000	5.8 %	\$ 5,119,400	3.5 %
Corporation	1,313,558	(7.4)	1,000,000	(23.9)	987,600	(1.2)
Financial Institutions	48,986	5.2	50,000	2.1	51,000	2.0
Total	\$ 6,038,280	1.2 %	\$ 5,995,000	(0.7) %	\$ 6,158,000	2.7 %
Sales & Use Taxes:						
Retail Sales	\$ 2,581,699	(3.6) %	\$ 2,540,000	(1.6) %	\$ 2,590,000	2.0 %
Compensating Use	893,761	3.8	938,000	4.9	980,000	4.5
Total	\$ 3,475,460	(1.8) %	\$ 3,478,000	0.1 %	\$ 3,570,000	2.6 %
Other Excise Taxes:						
Cigarette	\$ 82,238	(8.7) %	\$ 78,400	(4.7) %	\$ 73,500	(6.3) %
Tobacco Products	10,291	(2.1)	10,300	0.1	10,300	--
Liquor Gallonage	23,946	(3.1)	24,000	0.2	24,300	1.3
Liquor Enforcement	82,831	(1.1)	81,500	(1.6)	82,500	1.2
Liquor Drink	15,333	0.7	15,600	1.7	15,900	1.9
Gas Severance	3,491	315.9	6,100	74.7	4,000	(34.4)
Oil Severance	23,003	(11.3)	19,900	(13.5)	23,900	20.1
Total	\$ 241,133	(3.0) %	\$ 235,800	(2.2) %	\$ 234,400	(0.6) %
Other Taxes:						
Insurance Premiums	\$ 217,237	(1.6) %	\$ 213,000	(2.0) %	\$ 210,000	(1.4) %
Motor Carrier	11,761	(0.2)	11,800	0.3	11,800	--
Corporate Franchise	11,052	34.4	9,900	(10.4)	10,000	1.0
Miscellaneous	5,245	(8.2)	5,100	(2.8)	5,300	3.9
Total	\$ 245,294	(0.4) %	\$ 239,800	(2.2) %	\$ 237,100	(1.1) %
Total Taxes	\$ 10,000,167	(0.0) %	\$ 9,948,600	(0.5) %	\$ 10,199,500	2.5 %
Other Revenues:						
Interest	\$ 392,447	(0.8) %	\$ 315,300	(19.7) %	\$ 275,000	(12.8) %
Net Transfers	(503,423)	(35.6)	(300,100)	40.4	(407,600)	35.8
Agency Earnings	132,847	19.6	135,600	2.1	135,700	0.1
Total	\$ 21,871	(83.9) %	\$ 150,800	589.5 %	\$ 3,100	(97.9) %
Total Receipts	<u>\$ 10,022,038</u>	<u>(1.2) %</u>	<u>\$ 10,099,400</u>	<u>0.8 %</u>	<u>\$ 10,202,600</u>	<u>1.0 %</u>

Table 2
State General Fund Receipts
FY 2026 Revised
Comparison of May 2026 Estimate with April 2026 Estimate
(Dollars in Thousands)

	FY 2026 CRE Est. Revised 4/20/2026	FY 2026 CRE Est. Revised 5/28/2026	Difference	
			Amount	Pct. Chg.
Income Taxes:				
Individual	\$ 4,945,000	\$ 4,945,000	\$ --	-- %
Corporation	1,000,000	1,000,000	--	--
Financial Institutions	50,000	50,000	--	--
Total	\$ 5,995,000	\$ 5,995,000	\$ --	-- %
Sales & Use Taxes:				
Retail Sales	\$ 2,540,000	\$ 2,540,000	\$ --	-- %
Compensating Use	938,000	938,000	--	--
Total	\$ 3,478,000	\$ 3,478,000	\$ --	-- %
Other Excise Taxes:				
Cigarette	\$ 78,400	\$ 78,400	\$ --	-- %
Tobacco Products	10,300	10,300	--	--
Liquor Gallonage	24,000	24,000	--	--
Liquor Enforcement	81,500	81,500	--	--
Liquor Drink	15,600	15,600	--	--
Gas Severance	6,100	6,100	--	--
Oil Severance	19,900	19,900	--	--
Total	\$ 235,800	\$ 235,800	\$ --	-- %
Other Taxes:				
Insurance Premiums	\$ 213,000	\$ 213,000	\$ --	-- %
Motor Carrier	11,800	11,800	--	--
Corporate Franchise	9,900	9,900	--	--
Miscellaneous	5,100	5,100	--	--
Total	\$ 239,800	\$ 239,800	\$ --	-- %
Total Taxes	\$ 9,948,600	\$ 9,948,600	\$ --	-- %
Other Revenues:				
Interest	\$ 315,300	\$ 315,300	\$ --	-- %
Net Transfers	(300,100)	(300,100)	--	--
Agency Earnings	135,600	135,600	--	--
Total	\$ 150,800	\$ 150,800	\$ --	-- %
Total Receipts	\$ 10,099,400	\$ 10,099,400	\$ --	-- %

Table 3
State General Fund Receipts
FY 2027 Revised
Comparison of May 2026 Estimate with April 2026 Estimate
(Dollars in Thousands)

	FY 2027 CRE Est. Revised 4/20/2026	FY 2027 CRE Est. Revised 5/28/2026	Difference	
			Amount	Pct. Chg.
Income Taxes:				
Individual	\$ 5,120,000	\$ 5,119,400	\$ (600)	(0.0) %
Corporation	990,000	987,600	(2,400)	(0.2)
Financial Institutions	51,000	51,000	--	--
Total	\$ 6,161,000	\$ 6,158,000	\$ (3,000)	(0.0) %
Sales & Use Taxes:				
Retail Sales	\$ 2,590,000	\$ 2,590,000	\$ --	-- %
Compensating Use	980,000	980,000	--	--
Total	\$ 3,570,000	\$ 3,570,000	\$ --	-- %
Other Excise Taxes:				
Cigarette	\$ 73,500	\$ 73,500	\$ --	-- %
Tobacco Products	10,300	10,300	--	--
Liquor Gallonage	24,300	24,300	--	--
Liquor Enforcement	82,500	82,500	--	--
Liquor Drink	15,900	15,900	--	--
Gas Severance	4,000	4,000	--	--
Oil Severance	23,900	23,900	--	--
Total	\$ 234,400	\$ 234,400	\$ --	-- %
Other Taxes:				
Insurance Premiums	\$ 210,000	\$ 210,000	\$ --	-- %
Motor Carrier	11,800	11,800	--	--
Corporate Franchise	10,000	10,000	--	--
Miscellaneous	5,300	5,300	--	--
Total	\$ 237,100	\$ 237,100	\$ --	-- %
Total Taxes	\$ 10,202,500	\$ 10,199,500	\$ (3,000)	(0.0) %
Other Revenues:				
Interest	\$ 275,000	\$ 275,000	\$ --	-- %
Net Transfers	(407,600)	(407,600)	--	--
Agency Earnings	135,700	135,700	--	--
Total	\$ 3,100	\$ 3,100	\$ --	-- %
Total Receipts	<u>\$ 10,205,600</u>	<u>\$ 10,202,600</u>	<u>\$ (3,000)</u>	<u>(0.0) %</u>

Table 4 - Legislative Adjustments by Bill by Source to FY 2027 Estimates (\$ in millions)				
		Individual	Corporate	Total
SB 82	Tax Credits—Ethanol-Blended Fuels and Gun Storage	\$ (0.600)	\$ (2.400)	\$ (3.000)
Total		\$ (0.600)	\$ (2.400)	\$ (3.000)