

Tax Reduction and Reform; Senate Sub. for HB 2117

Senate Sub. for HB 2117 implements a number of major changes in income taxes effective for tax year 2013; repeals a severance tax exemption; and restricts participation in the Homestead Property Tax Refund program.

Income Tax Provisions

Rate Reduction and Restructuring

One major part of the bill collapses the current three-bracket structure for individual income taxes (3.5, 6.25, and 6.45 percent) into a two-bracket system using rates of 3.0 and 4.9 percent.

Business Income Exemption

The bill totally exempts certain non-wage business income that had been subject to individual income tax (income reported by LLC's, Subchapter-S Corporations, and sole proprietorships on lines 12, 17, and 18 of federal form 1040). Taxpayers availing themselves of this exemption are excluded from receiving another credit designed to eliminate the liability of certain resident individuals pursuant to KSA 2011 Supp. 79-32,266.

Tax Credits

Additional sections repeal tax credits previously allowed for individuals (but not to corporations) for food sales tax rebates; abandoned well plugging; adoption expenses; agritourism; alternative fuel equipment expenditures; assistive technology; child and dependent care expenses; child day care expenses; disabled access expenditures; environmental compliance expenditures; individual development account contributions; law enforcement training center contributions; small employer health benefit plan contributions; swine facility improvement expenditures; port authority contributions; small employer health benefit plan contributions; swine facility improvement expenditures; telecommunications property tax payments; venture capital contributions; and certain temporary assistance to family contributors.

Standard Deduction

Other language increases the standard deduction amount for single head-of-household filers from \$4,500 to \$9,000, and for married taxpayers filing jointly from \$6,000 to \$9,000.

Other Income Tax Provisions

Additional provisions of the bill eliminate a subtraction modification for certain long-term care insurance expenditures and eliminate the ability of individuals to utilize the income tax deduction for expensing enacted in 2011.

HB 2117 Brownback Income Tax Cut

Projected \$4.5 billion revenue cut over six years

Severance Tax Provisions

The two-year new pool severance tax exemption is repealed relative to all oil production from any pool producing in excess of 50 barrels per day, provided the initial production occurs on and after July 1, 2012.

Homestead Program

Beginning in tax year 2013, renters will no longer be eligible to participate in the Homestead Property Tax Refund program.

SGF Effects

The bill is expected to have the following impact on SGF receipts (dollars in millions):

	SGF Receipts		
	<u>Income</u>	<u>Severance</u>	<u>Total</u>
FY 2013	\$ (249.2)	\$ 18.0	\$ (231.2)
FY 2014	(847.8)	45.0	(802.8)
FY 2015	(884.3)	60.0	(824.3)
FY 2016	(924.2)	70.0	(854.2)
FY 2017	(967.9)	75.0	(892.9)
FY 2018	<u>(1,013.7)</u>	<u>80.0</u>	<u>(933.7)</u>
6-yr Total	\$ (4,887.1)	\$ 348.0	\$ (4,539.1)

State debt limits suspended to pay for tax cuts

Right-wing Republican lawmakers have operated under the radar to suspend all statutory limits on highway debt, and that unprecedented authority was recently used to issue record-breaking levels of long-term debt to pay for their reckless income tax cuts this year and next.

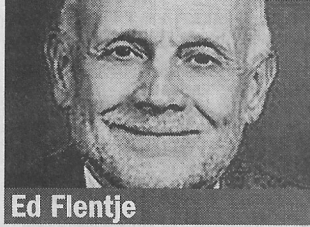
Six lines buried deep in a 700-page appropriation bill last spring gave the Kansas Department of Transportation unlimited authority to issue debt, and in early December without public disclosure the agency used that authority to issue \$400 million in highway bonds.

State law requires those debt proceeds to be used for improving state highways but do not expect that to happen. Lawmakers directed that \$400 million and more be swept from the highway fund to help pay for the \$700 million dip in state revenues caused by income tax cuts in 2012 and 2013.

The \$400 million in new highway debt represents the largest single highway bond in state history and bumps up outstanding highway debt to \$2.1 billion, also a state record. The size of the bond issue was boosted 60 percent higher than planned last January in order to stabilize at least temporarily the precarious condition of state finances.

Never before in state history has a state agency been granted unlimited powers to issue debt. Prior to this extraordinary action,

Insight Kansas



Ed Flentje

state lawmakers had carefully placed specific limits on the state's ability to borrow money. KDOT's authority to issue unlimited debt continues through this fiscal year and next, so additional highway bonds could be issued at any time over the next 18 months.

The language suspending debt limits was inserted at the direction of Gov. Sam Brownback with the clear intention of using debt to fill the gaping hole in state revenues. In the waning days of the legislative session last spring, when most attention was focused on tax increases, the governor and legislative leaders forced quick action on the appropriation bill, and the governor's far-right collaborators passed the bill with a bare minimum of votes needed in both houses.

The governor and legislative leaders went to extraordinary lengths to hide their suspension of debt limits from public scrutiny. The governor's budget report made no mention of the suspension. Republicans who controlled the appropriations conference committee never raised the issue.

The state house press corps missed it as well.

Brownback and Republican legislative leaders have elevated the practice of confiscating highway funds to pay for other state obligations to a new level. In this year alone \$436 million will be swept from the highway fund – the single largest transfer ever. That amount plus prior transfers during Brownback's term bring their displacement of highway funds to a breathtaking total of \$1.6 billion.

Prior to the election of Brownback and his radical-right legislators in 2010, 2012, and 2014, the Republican hallmark in public finance was caution in the use of debt. That brand was well established by Kansas Republican icons like Landon, Eisenhower and Dole, as well Republican governors Bennett, Hayden and Graves.

Beginning in 2011 the Republicans running state government have played fast and loose with debt. Coupled with the billion-dollar pension bonds issued last August they have jumped total tax-supported debt to a whopping \$4.5 billion, a boost of 50 percent in five short months.

When will these Republican lawmakers fess up and defend publicly the legacy of debt they are unloading on future generations of Kansans?

H. Edward Flentje is professor emeritus at Wichita State University.

To pay for the Brownback income tax cut, \$1.6 billion of highway funds were taken, \$1.0 billion of KPERs bonds were issued, \$400 million of additional highway bonds were issued and funds were swept out of every imaginable dedicated funding. Tax supported debt jumped to \$4.5 billion.

Media Releases

[All news](#)

Governor Brownback signs pro-growth tax legislation

Topeka – Joined by small business owners, state legislators, Governor's Council of Economic Advisors, Governor's Cabinet members and Lt. Gov. Jeff Colyer, M.D., Kansas Governor Sam Brownback signed one of the largest tax relief measures in Kansas history into law today at the Capitol in Topeka. The new law cuts state income tax rates for all hard-working Kansans by 14 to 24 percent and eliminates state income taxes on more than 191,000 small business owners.

Governor Brownback likened Senate Sub. for House Bill 2117 to a shot of adrenaline into the heart of the Kansas economy.

"My faith is in the people of Kansas, not the government's ability to tax and redistribute. They know better how to spend their money and I believe they will do incredible things with it," Brownback said. "Today's legislation will create tens of thousands of new jobs and help make Kansas the best place in America to start and grow a small business. Now is the time to grow our economy, not state government, and that's what this tax cut will do."

Kansas Revenue Secretary Nick Jordan said the new law will leave \$1.1 billion in Kansans' pockets during the next two years to save, spend and invest.

"After the lost decade for jobs in Kansas, Governor Brownback has been incredibly focused on creating a pro-growth environment that will increase Kansas families' income and accelerate small business growth," Jordan said. "This focus has turned the budget deficit he inherited into a strong surplus, and, with historic tax relief now in place, Kansas is poised to lead America's economic recovery."

The law collapses the current three-bracket structure for individual state income taxes (3.5, 6.25 and 6.45 percent respectively) into a two-bracket system using rates of 3.0 and 4.9 percent. The business income exemption eliminates certain non-wage business income for small business owners (income reported by LLC's, Subchapter-S Corporations, and sole proprietorships on lines 12, 17, and 18 of federal form 1040).

The law also flattens the tax structure and increases the standard deduction amount for single head-of-household filers from \$4,500 to \$9,000; and for married taxpayers filing jointly from \$6,000 to \$9,000.

Dynamic projections show the new law will result in 22,900 new jobs, give \$2 billion more in disposable income to Kansans and increase population by 35,740, all in addition to the normal growth rate of the state.

Speaker of the House Mike O'Neal praised the new tax law.

"By reforming income taxes in Kansas, our state will start building a solid tax foundation that will create a strong economy for the years to come. We must continue down a path that brings prosperity to the residents of Kansas and HB 2117 will move our state toward a healthy and vibrant economy," Speaker O'Neal said.

Rep. Arlen Siegfried, the Majority Leader in the House, said the new tax plan paints a brighter future for the state.

"There's a reason surrounding states are racing to keep pace with Kansas in providing tax relief," Rep. Siegfried said. "They recognize this was a significant victory in a constant battle to attract jobs and grow our economy."

The chair of the House Taxation Committee, Rep. Richard Carlson, said Kansas is raising the bar on pro-growth tax policy.

"Kansas is embarking on and setting the threshold for the nation with a pro-growth, pro-jobs tax reform policy," Rep. Carlson said. "Lowering taxes on individuals and small businesses will jump start the private sector growth in Kansas, allowing Kansans to grow Kansas. We invite the nation's businesses to come grow with Kansas."

Others joining the Governor for the bill signing included legislators: Sen. Dennis Pyle, Reps. Joe Patton, Brett Hildabrand, and Terri Lois Gregory; Governor's Cabinet members: Labor Sec. Karin Brownlee, Commerce Sec. Pat George, K-DOT Sec. Mike King, Agriculture, Sec. Dale Rodman, Corrections Sec. Ray Roberts, Aging Sec. Shawn Sullivan, SRS Sec. Phyllis Gilmore, Administration Sec. Dennis Taylor; David Murfin, Kansas Chamber Chairman & President of Murfin Drilling Company; Jason Watkins, Wichita Metro Chamber of Commerce; Derrick Sontag, Americans for Prosperity; Dave Trabert, Kansas Policy Institute; and members of the Governor's Council of Economic Advisors: Patti Bossert, President of Key Staffing; Alfred Botchway, PH.D. President of Xenometrics, LLC; and Larry Sevier, CEO of NEX-Tech, Inc.

The bill, Senate Substitute for House Bill 2117, passed the Senate by a vote of 29-11 and the House by a vote of 64-59.

Dominant lobbying organizations showed their support for the Brownback income tax cut by joining him in his office for the signing.

**SECOND CONFERENCE COMMITTEE REPORT BRIEF
SENATE BILL NO. 169**

As Agreed to April 5, 2023

Brief*

SB 169 would make various changes to income, sales, and property tax law. Specifically, the bill would:

- Replace individual income tax brackets with a single rate of 5.15 percent;
- Reduce corporation income and privilege tax rates and discontinue corporate rate reductions required by the Attracting Powerful Economic Expansion Act (APEX);
- Expand the exemption on Social Security income;
- Provide for annual standard deduction increases by a cost-of-living adjustment;
- Accelerate the elimination of state sales and compensating use tax on food and food ingredients and the associated repeal of the food sales tax credit and disposition of revenue changes; and
- Increase the amount of the appraised value of residential property exempt from the statewide uniform 20 mill school finance levy to \$60,000.

Individual Income Tax Flat Rate

The bill would provide, beginning in tax year 2024, for a single individual income tax rate of 5.15 percent to be applied to all Kansas taxable income in excess of \$12,300 for married individuals filing joint returns and \$6,150 for all other individuals. Kansas taxable income less than those amounts would not be taxed.

Corporation Income and Financial Institutions Privilege Tax Rate Changes

The bill would reduce the tax rates applied to corporations and financial institutions.

For corporations, the normal tax rate would be set at 3.0 percent beginning in tax year 2024. [Note: The normal corporate rate is currently scheduled to be reduced from 4.0 to 3.5 percent in tax year 2024 due to an agreement under APEX.]

For banks, the normal tax rate would be reduced from 2.25 percent to 1.94 percent for tax year 2024 and to 1.63 percent for tax year 2025 and all years thereafter.

*Conference committee report briefs are prepared by the Legislative Research Department and do not express legislative intent. No summary is prepared when the report is an agreement to disagree. Conference committee report briefs may be accessed on the Internet at <http://www.kslegislature.org/klrd>

For trust companies and savings and loan associations, the normal tax rate would be reduced from 2.25 percent to 1.93 percent for tax year 2024 and to 1.61 percent for tax year 2025 and all years thereafter.

[Note: The surtaxes on corporations and financial institutions would not be affected by the bill.]

The bill would repeal possible future corporate rate decreases resulting from agreements under APEX.

Social Security Benefit Income Taxation Cliff Phase Out

Beginning in tax year 2023, the bill would expand the existing income tax exemption for federally taxable Social Security benefits available to taxpayers with \$75,000 or less in federal adjusted gross income (FAGI) to phase out taxpayer eligibility for the exemption through a linear transition formula from \$75,000 in FAGI to \$100,000 in FAGI.

The bill would provide for annual increases of \$5,000 to the upper bound of the transition beginning in tax year 2024.

Standard Deduction Increase and Cost of Living Adjustment

The bill would, beginning in tax year 2024, provide for all Kansas individual income tax standard deduction amounts to be annually increased by the cost-of-living adjustment determined under Section 1(f)(3) of the Internal Revenue Code.

Food Sales Tax Changes

The bill would accelerate the elimination of the state sales and compensating use tax rate on food and food ingredients to January 1, 2024.

The bill would raise the percentage of sales tax revenue distributed to the State Highway Fund to 18.0 percent of sales and use tax receipts beginning January 1, 2024.

The bill would sunset the food sales tax credit at the end of tax year 2023.

[Note: Under current law, the rate is scheduled to be reduced to 2.0 percent on January 1, 2024, and to 0.0 percent on January 1, 2025; the proportion of sales and use tax receipts distributed to the State Highway Fund is scheduled to be increased to 18.0 percent beginning January 1, 2025; and the credit is scheduled to be sunset after tax year 2024.]

School Finance Levy Residential Exemption

The bill would increase, beginning in tax year 2023, the amount of residential property exempt from the statewide uniform 20 mill school finance levy from \$40,000 to \$60,000 of appraised value.

A formula to increase the amount of the exemption based upon the statewide average increase in residential valuation over the preceding ten years would be delayed in implementation from tax year 2023 to 2024.

Conference Committee Action

The Second Conference Committee agreed to the provisions of House Sub. for SB 169 and further amended the bill as follows:

- Provide for a single individual income tax rate of 5.15 percent;
- Provide for a portion of the privilege tax rate reduction to occur in tax year 2024;
- Provide for an annual increase in the upper bound of exempt Social Security income;
- Eliminate the standard deduction increase for taxpayers filing single returns;
- Eliminate state sales and compensating use tax on food and food ingredients on January 1, 2024, and repeal the food sales tax credit beginning in tax year 2024;
- Set the amount of the appraised value of residential property exempt from the statewide uniform 20 mill school finance levy at \$60,000; and
- Change the effective date of the bill to publication in the statute book.

Background

SB 169 was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Tyson. The bill, as introduced, would have provided for a single individual income tax rate of 4.75 percent, beginning in tax year 2024. The House Committee on Taxation removed the contents of SB 169 and inserted the contents of HB 2457. The House Committee recommended a substitute bill with additional amendments to the contents of HB 2457 as introduced:

- Replace the phase-out of all Social Security income from taxation with a provision to smooth out the cliff from \$75,000 to \$100,000 [*Note: The Second Conference Committee retained this amendment, with a subsequent addition of an annual increase of the upper bound.*];
- Increase the flat tax rate to 5.25 percent and raise minimum taxable income levels [*Note: The Second Conference Committee modified this amendment.*];
- Delay implementation of reductions to corporate income and privilege taxes to tax year 2024 [*Note: The Second Conference Committee modified this amendment.*]; and
- Change the effective date of the bill to publication in the *Kansas Register*. [*Note: The Second Conference Committee did not retain this amendment.*]

HB 2457

HB 2457 was introduced by the House Committee on Taxation at the request of Representative Adam Smith.

In 2023 and 2024, the same lobbying organizations that supported the Brownback income tax cut, introduced and promoted flat tax legislation.

House Committee on Taxation

In the House Committee hearing, **proponent** testimony was provided by representatives of Americans for Prosperity-Kansas, the Kansas Bankers Association, and the Kansas Chamber. The proponents generally stated the bill would provide needed tax relief to Kansans and Kansas businesses, make the Kansas more competitive and contribute to economic growth, and help the state retain residents.

Written-only proponent testimony was provided by representatives of the Kansas Association of Realtors and Kansas Policy Institute.

Opponent testimony was provided by an economics professor of the University of Kansas and by representatives of Kansas Action for Children and the Kansas National Education Association. The opponents generally stated the bill would substantially reduce state revenues available to provide services to Kansans and would disproportionately benefit wealthy taxpayers.

Written-only opponent testimony was provided by a private citizen and representatives of The Family Conservancy, Kansas Appleseed, Kansas Interfaith Action, and REACH Healthcare Foundation.

Neutral testimony was provided by a representative of the Kansas League of Municipalities.

House Committee of the Whole

The House Committee of the Whole made a technical amendment and amended the bill to:

- Increase the amount of residential property exempt from the statewide uniform 20 mill school finance levy to \$80,000 of appraised value; and
- Allow taxpayers to elect the tax year in which contributions to postsecondary education savings accounts are claimed.

[*Note:* The Second Conference Committee did not retain these amendments.]

Fiscal Information

The Department of Revenue indicates SB 169, as agreed to by the Second Conference Committee, is estimated to have the following fiscal effects:

	(Dollars in Millions)		
	FY 2024	FY 2025	FY 2026
Individual Income Tax Single Bracket 5.15%	\$ (99.2)	\$ (331.7)	\$ (335.0)
Corporate Rate Reductions	(12.1)	(40.6)	(41.4)
Privilege Tax Rate Reductions	(5.8)	(7.2)	(7.4)
Social Security Exemption Linear Transition and Annual Adjustment	(22.3)	(21.9)	-26
Standard Deduction Indexing	(3.8)	(15.8)	(25.1)
Food Sales Tax to 0.0% Acceleration	(115.5)	(122.7)	-
Food Sales Tax Credit Repeal Acceleration	-	10.3	-
<i>Subtotal – State General Fund</i>	<u>\$ (258.7)</u>	<u>\$ (529.6)</u>	<u>\$ (434.9)</u>
Food Sales Tax to 0.0% Acceleration	\$ (3.0)	\$ 3.6	\$ -
<i>Subtotal – State Highway Fund</i>	<u>\$ (3.0)</u>	<u>\$ 3.6</u>	<u>\$ -</u>
Res. Property Tax Exempt. to \$60,000	\$ (41.0)	\$ (43.3)	\$ (45.9)
<i>Subtotal – State School District Finance Fund</i>	<u>\$ (41.0)</u>	<u>\$ (43.3)</u>	<u>\$ (45.9)</u>
Total All Funds	<u>\$ (302.7)</u>	<u>\$ (569.3)</u>	<u>\$ (480.8)</u>

The Department of Revenue also indicated the bill has the potential to reduce revenues pledged to repay STAR bond projects by unknown amounts beginning in FY 2025, and the reduction in property tax revenue would require a corresponding appropriation for State Foundation Aid from the State General Fund in order to maintain Base Aid for Student Excellence in the school finance formula at \$5,103 for FY 2024, as included in *The FY 2024 Governor's Budget Report*.

The fiscal effect associated with enactment of the Social Security income taxation phase out, food sales tax rate reduction, and sales tax revenue distribution change provisions of the bill are partially reflected in *The FY 2024 Governor's Budget Report*.

Taxation; income tax; brackets; privilege tax; surtax; rates; Social Security benefits; phase out; sales tax; food sales tax; food sales tax credit; State Highway Fund; property tax; mill levies; school finance; exemption

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SB 30 Repeal of the Brownback Income Tax Cut

Individual Income Tax—Reform and Restructuring; SB 30

SB 30 makes a number of changes in the Kansas individual income tax structure and several adjustments to statutory provisions in relation to Sales Tax and Revenue (STAR) Bonds.

Individual Income Tax Provisions

The bill repeals, effective for tax year 2017, the exemption for non-wage business income that has been in effect since tax year 2013. Taxpayers also may begin claiming certain non-wage business income losses in conformity with federal treatment (but are not be able to file amended returns for previous tax years when such losses were not eligible to be claimed for Kansas income tax purposes). Special subtraction modification provisions relating to net gains from certain livestock and Christmas tree sales are repealed.

The bill allows as an itemized deduction for individual income tax purposes 50.0 percent of medical expenses currently allowed under federal law for tax year 2018. The amount is increased to 75.0 percent of the federal allowable amount for tax year 2019 and to 100.0 percent in tax year 2020 and thereafter. Itemized deductions for mortgage interest and property taxes paid, currently set at 50.0 percent of the federal allowable amounts, are increased to 75.0 percent for tax year 2019 and to 100.0 percent beginning in tax year 2020.

A child and dependent care tax credit that had been repealed in 2012 is restored in stages. The credit is set at 12.50 percent of the allowable federal amount for tax year 2018, 18.75 percent for tax year 2019, and 25.00 percent (the level that had been utilized prior to the 2012 repeal) for tax year 2020 and thereafter.

Starting in tax year 2018, the low-income exclusion threshold (below which any positive income tax liability is otherwise eliminated) is reduced from \$12,500 to \$5,000 for married filers and from \$5,000 to \$2,500 for single filers.

Individual income tax rates are increased beginning in tax year 2017 utilizing a three-bracket system with rates of 2.9 percent, 4.9 percent, and 5.2 percent. For tax year 2018 and all years thereafter, a three-bracket system with rates of 3.1 percent, 5.25 percent, and 5.7 percent is used. Additional formulaic provisions that could have provided for rate reductions in certain future years based on growth in selected State General Fund (SGF) tax receipts are repealed.

STAR Bond Provisions

The bill extends the sunset date for the STAR Bond Financing Act from July 1, 2017, to July 1, 2020. For the first year of that extension, there is a moratorium on the approval of new STAR Bond districts, but cities or counties with existing districts may continue to develop projects.

Fiscal Effects

The bill is expected to increase SGF receipts, as follows:

- FY 2018—\$591.0 million;
- FY 2019—\$633.0 million;
- FY 2020—\$617.4 million;
- FY 2021—\$584.4 million; and
- FY 2022—\$590.3 million.

Kansas Legislature

SB 30

AN ACT concerning taxation; relating to sales taxation, the Kansas retailers' sales tax act, definitions; income taxation, reporting requirements, dates; amending K.S.A. 2016 Supp. 79-3298, 79-3299 and 79-3602 and repealing the existing sections.

House - Motion to override veto prevailed; - 06/06/2017

On roll call the vote was:

Yea - (88):

Alcala, Alford, Aurand, Baker, Ballard, Becker, Bishop, Brim, Burroughs, Campbell, Carlin, Carmichael, Clark, Clayton, Concannon, Cox, Crum, Curtis, Davis, Deere, Dierks, Dietrich, Elliott, Eplee, Finch, Finney, Frownfelter, Gallagher, Gartner, Good, Hawkins, Helgerson, Hibbard, Highberger, Hineman, Hodge, Holscher, Jennings, Johnson, Judd-Jenkins, Karleskint, Kelly, Kessinger, Koesten, Kuether, Lakin, Lewis, Lusk, Lusker, Markley, Mastroni, Miller, Murnan, Neighbor, Ohaebosim, Orr, Ousley, Parker, Patton, Phelps, Phillips, Pittman, Proehl, Rafie, Ralph, Rooker, Ruiz, Ryckman, Sawyer, Schreiber, Schroeder, Sloan, A. Smith, Stogsdill, Swanson, Tarwater, Terrell, Thompson, Trimmer, Victors, Ward, Waymaster, Weigel, Wheeler, Whipple, Wilson, Winn, Wolfe Moore,

Nay - (31): **My opponent (maiden name Arnberger) was part of the minority of legislators who voted to retain the Brownback income tax cut.**

Arnberger, Awerkamp, Blex, Burris, Carpenter, Claeys, Corbet, Delperdang, Dove, Ellis, Esau, Garber, Henderson, Highland, Hoffman, Houser, Huebert, Humphries, Jones, Landwehr, Osterman, Powell, Rahjes, Resman, Schwab, E. Smith, Sutton, Vickrey, Weber, Whitmer, Williams,

Present but not Voting - (1):

Seiwert,

Absent and Not Voting - (5):

Barker, Francis, Jacobs, Mason, Thimesch,

Not Voting - (0):



Kansas Avoids Flat Tax Proposal: Narrow Victory a Cautionary Tale for Other States

April 27, 2023



Brakeyshia Samms

State Policy Analyst

Policymaking includes short and long-term strategies aimed at transforming laws, cultures, and norms that govern and influence society. Lately, when it comes to tax policy, deep, permanent income tax cuts and anti-tax sentiment seem to be at the forefront of shaping both those short- and long-term strategies. But in some states, like Kansas, sound fiscal policy is still winning the day.

This week Kansas lawmakers failed to override Gov. Laura Kelly's veto of a damaging tax package that would have, among other things, flattened the state personal income tax. In doing so, the state narrowly avoided traveling again down the disastrous yet well-worn path of deep income tax cuts. A slim one-vote margin prevented the legislature from overturning the veto despite the mountains of evidence proving the failure of the draconian tax cuts enacted during the Brownback administration.

States across the country can learn from Kansas' experience by rethinking tax policy decisions and broader statewide priorities. Rather than digging in with a narrow tax-cutting mentality, lawmakers can advance sound fiscal policies centered on creating fair

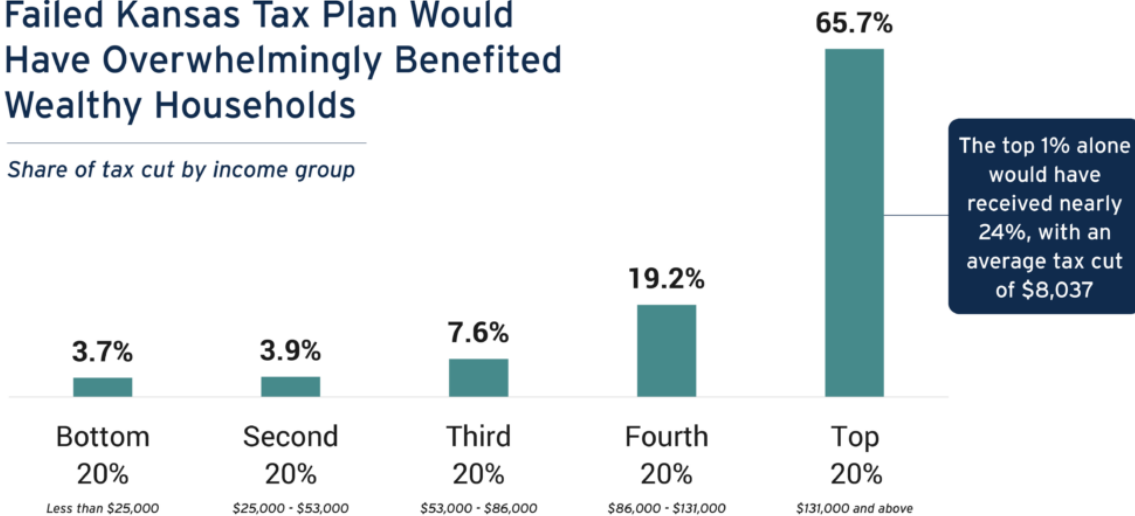
and progressive taxes that can raise enough revenue to make public investments that boost incomes, create jobs, and grow the economy. This is a simple tax policy formula that will result in great dividends for families and communities.

The plan vetoed by Gov. Kelly included major changes to their income tax system, particularly shifting it to a 5.15 percent single flat rate. Other changes included a cut to corporate income and privilege taxes, cuts to income taxes for wealthier Social Security recipients that will grow over time, increases to the standard deduction, property tax cuts for homeowners, and accelerating the elimination of the state’s food sales tax. The new provisions of the tax cut package would push nearly two-thirds of the overall benefit to the top 20 percent of households in the state (those earning, on average, close to \$300,000 a year).

The 2023 flat tax bill would have routed 24% of the benefit to the top 1%. The top 20% would have received nine times as much benefit as the middle 20%.

Failed Kansas Tax Plan Would Have Overwhelmingly Benefited Wealthy Households

Share of tax cut by income group



Note: Analysis includes all new major components of the tax package, including the 5.15% flat tax, Social Security exemption, increased standard deduction, increased property tax exemption, and the corporate income tax rate cut.

Source: Institute on Taxation and Economic Policy tax model, April 2023

ITEP.org

The major structural change, switching to a flat tax, results in a system where every taxpayer pays the same percentage of their taxable income. It sounds like it’s a fair deal, but in actuality, it guarantees that wealthy families will pay a lower *overall* state and local tax rate than families of more modest means after regressive taxes like the sales tax are taken into account.

Like most states, Kansas has a graduated tax rate system (two-thirds of broad-based personal income tax structures have graduated rates). Under these kinds of taxes, different levels of income are subject to different rates, with high-income families seeing more of their income taxed at higher rates than lower-income families. This is an important part of any equitable tax code, especially given the rising levels of inequality across the nation.

On the other hand, a flat tax like the one vetoed in Kansas isn't fair. A factory worker shouldn't face the same marginal tax rate as the CEO of the company. But that's how a flat tax works.

Taxes are the primary way states fund programs that invest in providing students with an education to set them up for success, doctors with advanced medical tools for pioneering procedures, and libraries with books that allow children to travel the galaxy with the turn of a page. This session, Kansas lawmakers, like those in many other states, pushed the mirage of a tax plan with widespread benefits when in reality it would overwhelmingly help the state's wealthiest and result in less long-term revenue and fewer direct investments in Kansas's communities and its people. But tax proposals like this continue to be debated by lawmakers across the country. Time for them to step back and connect the dots to the long-term harm tax cuts will cause state budgets, communities, and hardworking families. Progressive taxes that help low- and moderate-income families thrive are needed to rebuild society, not tax cuts for the wealthy.

Kansas Legislature

SB 169

AN ACT concerning taxation; relating to income tax; providing a 5.25% tax rate for individuals and decreasing the normal tax for corporations; discontinuing possible future corporate rate decreases as a result of agreements under the attracting powerful economic expansion program act; increasing the income limit to qualify for a subtraction modification for social security income; allowing a taxpayer to elect the taxable year in which a subtraction modification for contributions to a qualified tuition program would be applied; increasing the Kansas standard deduction for single filers and further increasing by a cost-of-living adjustment; discontinuing the food sales tax credit; relating to sales and compensating use tax; reducing the rate of tax on sales of food and food ingredients; relating to property tax; increasing the extent of exemption for residential property from the statewide school levy; relating to privilege tax rates; decreasing the normal tax; amending K.S.A. 79-1107 and 79-1108 and K.S.A. 2022 Supp. 74-50,321, 79-201x, 79-32,110, 79-32,117, 79-32,119, 79-32,271, 79-3603, 79-3603d, 79-3620, 79-3703 and 79-3710 and repealing the existing sections.

House - Conference Committee Report was adopted; - 04/06/2023

On roll call the vote was:

Yea - (85):

My opponent voted for the 2023 flat tax bill.

Anderson, Awerkamp, Barth, Bergkamp, Bergquist, Blew, Blex, Bloom, Borjon, Bryce, Buehler, Butler, B. Carpenter, W. Carpenter, Clifford, Collins, Concannon, Corbet, Croft, Delperdang, Dodson, Donohoe, Droge, Ellis, Eplee, Essex, Estes, Fairchild, Francis, Garber, Gardner, Goddard, Goetz, Hawkins, Hill, Hoffman, Hoheisel, Houser, Howe, Howell, Howerton, Humphries, Jacobs, Johnson, Kessler, Landwehr, Lewis, Mason, Maughan, Minnix, Moser, Murphy, Neelly, Owens, Patton, Penn, Pickert, Proctor, Rahjes, Resman, Rhiley, Robinson, Roth, Sanders, Schmoie, Schreiber, Seiwert, A. Smith, C. Smith, E. Smith, Sutton, Tarwater, Thomas, Thompson, Titus, Turk, Turner, Underhill, Waggoner, Wasinger, Waymaster, White, K. Williams, L. Williams, Younger,

Nay - (38):

Alcala, Amyx, Ballard, Boyd, Carlin, Carmichael, Carr, Curtis, Featherston, Haskins, Haswood, Helgerson, Highberger, Hougland, Hoye, Martinez, Melton, Meyer, D. Miller, S. Miller, V. Miller, Neighbor, Ohaebosim, Oropeza, Osman, Ousley, Poskin, Probst, S. Ruiz, Sawyer, Sawyer Clayton, Schlingensiepen, Stogsdill, Vaughn, Weigel, Winn, Woodard, Xu,

Present but not Voting - (0):

Absent and Not Voting - (2):

Poetter Parshall, L. Ruiz,

Not Voting - (0):