

MEMORANDUM

To: Adam Proffitt, Director
Director of Budget
From: Kansas Department of Revenue
Date: 2/16/2023
Subject: 2023 Senate Bill 169
Introduced as a Senate Bill

Brief Of Bill

Senate Bill 169, as introduced, establishes a 4.75% income tax rate for individuals, effective for tax year 2024 and subsequent years.

Section 1 Amends K.S.A. 2022 Supp 79-32,110(a)(1)(F) and (a)(2)(F) to end the current individual income tax rates with tax year 2023. New subparagraph (a)(3) provides that, for tax year 2024 and all tax years thereafter, the income tax rate for all individuals, regardless of filing status, shall be 4.75% of taxable income that is in excess of:

- (A) \$10,450 for married individuals filing joint returns and
- (B) \$5,225 for all other individuals.

79-32,110(d) is amended to provide the 4.75% rate in new subparagraph (a)(3) applies to fiduciary income tax returns for estates and trusts for tax year 2024 and all tax years thereafter.

79-32,110(e) is amended to limit its de minimis filing threshold language to tax years prior to 2024.

Section 2 repeals K.S.A. 2022 Supp 79-32,110.

This act shall take effect and be in force from and after its publication in the statute book.

Fiscal Impact

Passage of this bill will reduce State General Fund receipts by \$170.4 million in FY 2024, \$568.5 million in FY 2025, and \$574.2 million in FY 2026.

The department used TY 2020 individual income tax returns to estimate the impact of imposing a 4.75% tax on all taxable income greater than \$10,450 for married filing joint taxpayers and \$5,225 for individuals. The fiscal impact is below -

	Tax Year	Fiscal Year
2024	\$566.8 million	\$170.4 million
2025	\$572.5 million	\$568.5 million
2026	\$578.2 million	\$574.2 million

The impact by income bracket is below -

Fiscal Impact of Single Bracket Income Tax at 4.75% and Exempt All Income < \$5,225 for Single and < \$10,450 for Joint

KAGI (TY 2020)	Number of Returns	Tax Liability		Fiscal Impact	Percent Change	Average Dollar Change
		Base	Simulated			
No KAGI -	43,974	(\$650,115)	(\$650,115)	\$0		
\$0.01 - \$25,000	428,413	\$22,484,652	\$4,309,173	(\$18,175,480)	-80.8%	(\$42.43)
\$25,000.01 - \$50,000	316,822	\$285,130,550	\$256,781,298	(\$28,349,252)	-9.9%	(\$89.48)
\$50,000.01 - \$75,000	164,387	\$335,642,257	\$303,672,073	(\$31,970,184)	-9.5%	(\$194.48)
\$75,000.01 - \$100,000	116,530	\$362,305,281	\$324,207,622	(\$38,097,659)	-10.5%	(\$326.93)
\$100,000.01 - \$250,000	197,883	\$1,132,811,372	\$975,760,923	(\$157,050,449)	-13.9%	(\$793.65)
\$250,000.01 - Over	39,350	\$1,119,845,277	\$910,902,520	(\$208,942,757)	-18.7%	(\$5,309.85)
Total Residents	1,307,359	\$3,257,569,274	\$2,774,983,494	(\$482,585,781)	-14.8%	(\$369.13)
Total Non-Residents*	304,944	\$462,956,906	\$400,826,681	(\$62,130,225)	-13.4%	(\$203.74)
All Taxpayers	1,612,303	\$3,720,526,180	\$3,175,810,175	(\$544,716,006)	-14.6%	(\$337.85)

Administrative Impact

Total administrative impact of this bill would be \$52,150.00.

A detailed breakdown of costs is given as follows:

1. Business Support Service Cost - \$700.00
2. Quality Assurance Cost - \$39,450.00
3. KDOR I.T. Tax applications: ATP, ACM and PW Total Cost - \$12,000.00

Administrative Problems and Comments

Taxpayer/Customer Impact

Legal Impact

No significant legal effect related to state taxes is anticipated with this bill as introduced.

Approved By:

Mark A. Burghart

Mark A. Burghart
Secretary of Revenue