

HB 2844 Proponent Testimony – in person
Tax plan with two rates
House Taxation Committee
Dave Trabert, CEO
March 20, 2024

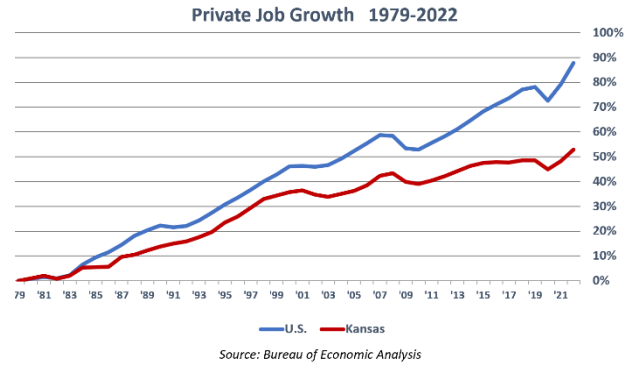


Chairman Smith and Members of the Committee,

We appreciate this opportunity to present testimony supporting HB 2844, which provides much-needed income and property tax savings.

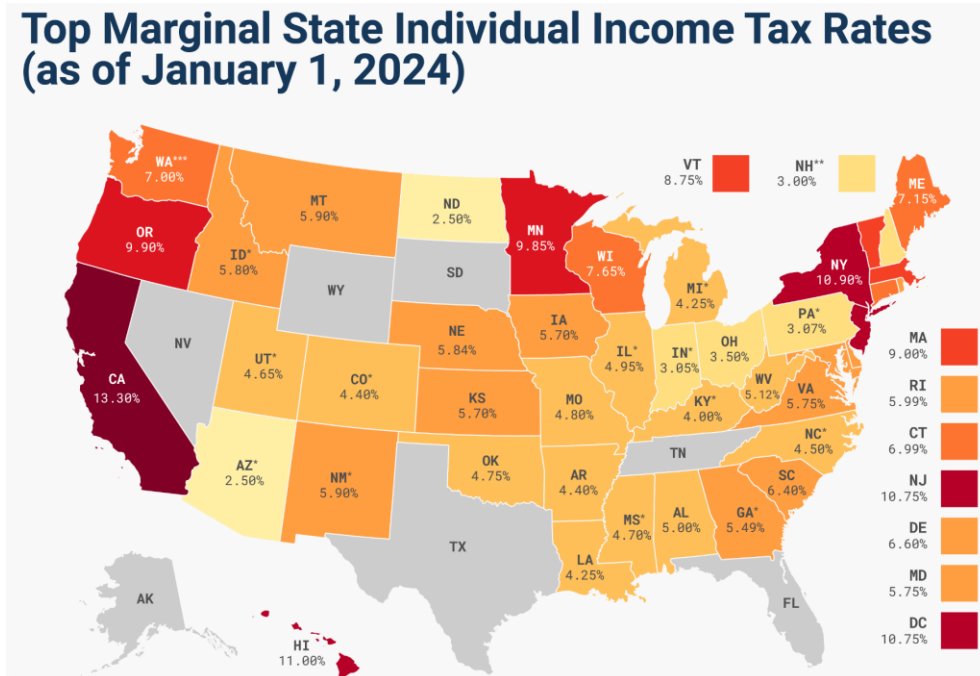
The economic data clearly shows the need for tax relief:

- Many states already have lower income tax rates than Kansas, and others are cutting rates.
- Kansas is in its fifth straight decade of economic stagnation and is falling farther behind national average increases in job growth, population, and economic activity (GDP).
- Kansas had the worst record in 2023 among bordering states on domestic migration, as more U.S. residents moved out of state than in, according to data from the [U. S. Census](#).



States with lower income taxes have superior economic growth, and that is desperately needed in Kansas. Private-sector job growth in Kansas was ranked #44 between 1998 and 2022. December 2023 private-sector jobs were just 0.3% higher than the year before, which also is far below the national average.

The [Tax Foundation](#) reports that the top marginal rate in 30 states will be lower than in Kansas in 2025. (Legislation passed in Nebraska and Iowa will reduce their top rates to 5.2% and 4.82%, respectively.)



Kansas can also easily afford the tax relief in HB 2844. No fiscal note is published as this testimony is written, but HB 2844 may cost less than the flat tax in SB 539 because the Social Security exemption is phased in, and it doesn't have the food sales tax accelerator. The table below applies the fiscal note for SB 539 to a budget profile provided by Kansas Legislative Research Department, substituting the revenue estimates and expense impacts of offsetting the residential property tax savings. After three full years, SB 539 will leave the state with \$4.8 billion in total reserves between the State General Fund and the Rainy Day Fund.

State General Fund Outlook					
Decription	Actual FY 2023	Approved FY 2024	Estimated FY 2025	Estimated FY 2026	Estimated FY 2027
Beginning Balance	\$ 1,834.5	\$ 2,410.4	\$ 2,823.7	\$ 3,084.6	\$ 3,115.7
Revenue					
Consensus Revenue	\$ 9,282.8	\$ 10,283.5	\$ 10,257.3	\$ 10,185.9	\$ 10,381.4
Released Encumbrances	\$ 20.3				
Do not transfer LAVTR, CCRS, SCCH	\$ -			\$ 171.3	\$ 173.6
Impact of flat tax plan in SB 539	\$ -	\$ -	\$ (377.1)	\$ (327.5)	\$ (407.8)
Total revenue this year	\$ 9,303.1	\$ 10,283.5	\$ 9,880.2	\$ 10,029.7	\$ 10,147.2
Expenditures	\$ 8,727.2	\$ 9,471.6	\$ 9,870.2	\$ 9,619.2	\$ 9,998.6
Reappropriations		\$ 551.3	\$ (551.3)		
Human Services caseloads		\$ (55.5)	\$ 45.9	\$ 105.0	\$ 110.0
School Finance		\$ (97.2)	\$ 192.3	\$ 208.8	\$ 125.0
School Funding to offset property tax cut			\$ 62.1	\$ 65.6	\$ 69.2
Total adj expenditures	\$ 8,727.2	\$ 9,870.2	\$ 9,619.2	\$ 9,998.6	\$ 10,302.8
Ending Balance	\$ 2,410.4	\$ 2,823.7	\$ 3,084.6	\$ 3,115.7	\$ 2,960.1
as % of expenditures	27.6%	28.6%	32.1%	31.2%	28.7%
Budget Stabilization Fund	\$ 1,610.3	\$ 1,685.3	\$ 1,757.1	\$ 1,809.8	\$ 1,855.0
Total Reserves	\$ 4,020.7	\$ 4,509.0	\$ 4,841.7	\$ 4,925.5	\$ 4,815.1

Source: Kansas Legislative Research Department on 11/30/23 and updated with KLRD calculations on SB 539; Consensus includes tax adjustments for current law as of 11/9/23 and statutory transfers FY 2026-2028.

Low-income taxpayers fare well, and high-income relief is limited

Dropping the top marginal by just 0.05 – from 5.7% to 5.65% - minimizes savings for high-income taxpayers. For example, a couple with no dependents and adjusted gross income (AGI) of \$1 million only gets a 1% reduction in tax liability, saving \$604.

Tax Savings Comparing Governor Kelly's Plan to HB 2844 Tax Year 2024							
Adjusted Gr Income	Married, Two Kids		Married, No Kids		Adjusted Gr Income	Single	
	Kelly Plan	House Plan	Kelly Plan	House Plan		Kelly Plan	House Plan
\$40,000	\$62	\$272	\$62	\$170	\$20,000	\$47	\$74
\$80,000	\$114	\$144	\$114	\$138	\$40,000	\$86	\$69
\$100,000	\$114	\$154	\$114	\$148	\$50,000	\$86	\$74
\$200,000	\$114	\$204	\$114	\$198	\$100,000	\$86	\$99
\$1,000,000	\$114	\$604	\$114	\$598	\$500,000	\$86	\$299

However, people with lower incomes have their tax burden significantly reduced. A couple with no dependents and \$40,000 AGI gets a 20% reduction and saves \$170; if that couple has two dependents, they get a 38% reduction and save \$272.

The percentage of tax savings declines as incomes rise. The couple with two dependents would only get a 5.4% tax savings if their income were \$80,000. At \$100,000, the savings is 4%; it drops to 2.1% at \$200,000 and only 1.1% with a \$1 million income.

% of Tax Reduction HB 2844			Tax Year 2024	
Adjusted Gr Income	Married 2 Kids	Married No Kids	Adjusted Gr Income	Single
\$40,000	38.2%	20.0%	\$20,000	16.7%
\$80,000	5.4%	4.7%	\$40,000	4.6%
\$100,000	4.0%	3.6%	\$50,000	3.6%
\$200,000	2.1%	2.0%	\$100,000	2.0%
\$1,000,000	1.1%	1.1%	\$500,000	1.1%

Exempting the first \$14,000 married and \$7,000 single means that the effective tax rates are still progressive, as shown in the table below. The effective tax rate is tax liability divided by adjusted gross income. The couple with two dependents has an effective tax rate of only 1.1% with \$40,000 AGI, and the effective tax rates rise as income increases.

Effective Tax Rates HB 2844			Tax Year 2024	
Adjusted Gr Income	Married 2 Kids	Married No Kids	Adjusted Gr Income	Single
\$40,000	1.1%	1.7%	\$20,000	1.8%
\$80,000	3.2%	3.5%	\$40,000	3.6%
\$100,000	3.7%	3.9%	\$50,000	4.0%
\$200,000	4.7%	4.8%	\$100,000	4.8%
\$1,000,000	5.5%	5.5%	\$500,000	5.5%

The standard deduction and personal exemptions are indexed for inflation in tax years 2025 and 2026, which provides a little more savings.

See Appendix A for additional savings examples for various income levels for tax year 2024. Appendix B shows the impact of 3% inflation on income, deductions, and tax savings in 2025, and Appendix C shows the same for the tax year 2026.

Conclusion: HB 2844 is a compromise bill that especially helps low-income taxpayers

HB 2844 is a smart compromise bill.

- It has two rates, whereas Governor Kelly wants three, and many legislators want one.
- The overall savings is less than was in SB 539 but more than Gov. Kelly’s plan.
- Low-income taxpayers get significant dollar and percentage savings.
- Savings for the highest incomes are only about 1%.
- It offsets the impact of inflation on taxes for at least two years.
- The two-rate system in HB 2844 has progressive, effective tax rates, meaning those who earn the most pay the highest percentage of tax on their income.

We see these as compromises on variables, like ‘how much’ and ‘when,’ but not on the principle of giving Kansans meaningful tax relief. No one is getting everything they prefer in a tax bill, but everyone is getting a good bit of what they say they want – tax relief that is meaningful and affordable.

We encourage the Committee to approve HB 2844, and we thank you for your consideration.

Appendix A – 2024 Tax Simulations

HB 2844 Tax Year 2024									
Description	Married, Two Kids			Married, No Kids			Single		
	Current Law	Kelly Plan	HB 2844	Current Law	Kelly Plan	HB 2844	Current Law	Kelly Plan	HB 2844
Adjusted Gr Income	40,000	40,000	40,000	40,000	40,000	40,000	20,000	20,000	20,000
Standard Deduct.	(8,000)	(10,000)	(8,240)	(8,000)	(10,000)	(8,240)	(3,500)	(5,000)	(3,605)
Personal Exemp.	(9,000)	(9,000)	(9,280)	(4,500)	(4,500)	(4,640)	(2,250)	(2,250)	(2,320)
Taxable Income	23,000	21,000	22,480	27,500	25,500	27,120	14,250	12,750	14,075
Tax	713	651	441	853	791	682	442	395	368
Effective Tax Rate	1.8%	1.6%	1.1%	2.1%	2.0%	1.7%	2.2%	2.0%	1.8%
Income tax savings		62	272		62	170		47	74

HB 2844 Tax Year 2024									
Description	Married, Two Kids			Married, No Kids			Single		
	Current Law	Kelly Plan	HB 2844	Current Law	Kelly Plan	HB 2844	Current Law	Kelly Plan	HB 2844
Adjusted Gr Income	80,000	80,000	80,000	80,000	80,000	80,000	40,000	40,000	40,000
Standard Deduct.	(8,000)	(10,000)	(8,240)	(8,000)	(10,000)	(8,240)	(3,500)	(5,000)	(3,605)
Personal Exemp.	(9,000)	(9,000)	(9,280)	(4,500)	(4,500)	(4,640)	(2,250)	(2,250)	(2,320)
Taxable Income	63,000	61,000	62,480	67,500	65,500	67,120	34,250	32,750	34,075
Tax	2,676	2,562	2,532	2,933	2,819	2,794	1,495	1,410	1,426
Effective Tax Rate	3.3%	3.2%	3.2%	3.7%	3.5%	3.5%	3.7%	3.5%	3.6%
Income tax savings		114	144		114	138		86	69

HB 2844 Tax Year 2024									
Description	Married, Two Kids			Married, No Kids			Single		
	Current Law	Kelly Plan	HB 2844	Current Law	Kelly Plan	HB 2844	Current Law	Kelly Plan	HB 2844
Adjusted Gr Income	200,000	200,000	200,000	200,000	200,000	200,000	100,000	100,000	100,000
Standard Deduct.	(8,000)	(10,000)	(8,240)	(8,000)	(10,000)	(8,240)	(3,500)	(5,000)	(3,605)
Personal Exemp.	(9,000)	(9,000)	(9,280)	(4,500)	(4,500)	(4,640)	(2,250)	(2,250)	(2,320)
Taxable Income	183,000	181,000	182,480	187,500	185,500	187,120	94,250	92,750	94,075
Tax Current / Kelly	9,516	9,402	9,312	9,773	9,659	9,574	4,915	4,830	4,816
Effective Tax Rate	4.8%	4.7%	4.7%	4.9%	4.8%	4.8%	4.9%	4.8%	4.8%
Income tax savings		114	204		114	198		86	99

Appendix B – 2025 Tax Simulations

HB 2844 with 3% annual Inflation Tax Year 2025									
Description	Married, Two Kids			Married, No Kids			Single		
	Current Law	Kelly Plan	HB 2844	Current Law	Kelly Plan	HB 2844	Current Law	Kelly Plan	HB 2844
Adjusted Gr Income	41,200	41,200	41,200	41,200	41,200	41,200	20,600	20,600	20,600
Standard Deduct.	(8,000)	(10,000)	(8,487)	(8,000)	(10,000)	(8,487)	(3,500)	(5,000)	(3,713)
Personal Exemp.	(9,000)	(9,000)	(9,558)	(4,500)	(4,500)	(4,779)	(2,250)	(2,250)	(2,390)
Taxable Income	24,200	22,200	23,154	28,700	26,700	27,934	14,850	13,350	14,497
Tax Current / Kelly	750	688	476	890	828	725	460	414	390
Effective Tax Rate	1.8%	1.7%	1.2%	2.2%	2.0%	1.8%	2.2%	2.0%	1.9%
Income tax savings		62	274		62	165		47	70

HB 2844 with 3% annual Inflation Tax Year 2025									
Description	Married, Two Kids			Married, No Kids			Single		
	Current Law	Kelly Plan	HB 2844	Current Law	Kelly Plan	HB 2844	Current Law	Kelly Plan	HB 2844
Adjusted Gr Income	82,400	82,400	82,400	82,400	82,400	82,400	41,200	41,200	41,200
Standard Deduct.	(8,000)	(10,000)	(8,487)	(8,000)	(10,000)	(8,487)	(3,500)	(5,000)	(3,713)
Personal Exemp.	(9,000)	(9,000)	(9,558)	(4,500)	(4,500)	(4,779)	(2,250)	(2,250)	(2,390)
Taxable Income	65,400	63,400	64,354	69,900	67,900	69,134	35,450	33,950	35,097
Tax Current / Kelly	2,813	2,699	2,638	3,069	2,955	2,908	1,564	1,478	1,484
Effective Tax Rate	3.4%	3.3%	3.2%	3.7%	3.6%	3.5%	3.8%	3.6%	3.6%
Income tax savings		114	175		114	161		86	80

HB 2844 with 3% annual Inflation Tax Year 2025									
Description	Married, Two Kids			Married, No Kids			Single		
	Current Law	Kelly Plan	HB 2844	Current Law	Kelly Plan	HB 2844	Current Law	Kelly Plan	HB 2844
Adjusted Gr Income	206,000	206,000	206,000	206,000	206,000	206,000	103,000	103,000	103,000
Standard Deduct.	(8,000)	(10,000)	(8,487)	(8,000)	(10,000)	(8,487)	(3,500)	(5,000)	(3,713)
Personal Exemp.	(9,000)	(9,000)	(9,558)	(4,500)	(4,500)	(4,779)	(2,250)	(2,250)	(2,390)
Taxable Income	189,000	187,000	187,954	193,500	191,500	192,734	97,250	95,750	96,897
Tax Current / Kelly	9,858	9,744	9,621	10,115	10,001	9,891	5,086	5,001	4,976
Effective Tax Rate	4.8%	4.7%	4.7%	4.9%	4.9%	4.8%	4.9%	4.9%	4.8%
Income tax savings		114	237		114	223		86	111

Appendix C – 2026 Tax Simulations

HB 2844 with 3% annual Inflation Tax Year 2026									
Description	Married, Two Kids			Married, No Kids			Single		
	Current Law	Kelly Plan	HB 2844	Current Law	Kelly Plan	HB 2844	Current Law	Kelly Plan	HB 2844
Adjusted Gr Income	42,436	42,436	42,436	42,436	42,436	42,436	21,218	21,218	21,218
Standard Deduct.	(8,000)	(10,000)	(8,742)	(8,000)	(10,000)	(8,742)	(3,500)	(5,000)	(3,825)
Personal Exemp.	(9,000)	(9,000)	(9,845)	(4,500)	(4,500)	(4,923)	(2,250)	(2,250)	(2,461)
Taxable Income	25,436	23,436	23,849	29,936	27,936	28,772	15,468	13,968	14,932
Tax Current / Kelly	789	727	512	928	866	768	490	433	412
Effective Tax Rate	1.9%	1.7%	1.2%	2.2%	2.0%	1.8%	2.3%	2.0%	1.9%
Income tax savings		62	276		62	160		57	77

HB 2844 with 3% annual Inflation Tax Year 2026									
Description	Married, Two Kids			Married, No Kids			Single		
	Current Law	Kelly Plan	HB 2844	Current Law	Kelly Plan	HB 2844	Current Law	Kelly Plan	HB 2844
Adjusted Gr Income	84,872	84,872	84,872	84,872	84,872	84,872	42,436	42,436	42,436
Standard Deduct.	(8,000)	(10,000)	(8,742)	(8,000)	(10,000)	(8,742)	(3,500)	(5,000)	(3,825)
Personal Exemp.	(9,000)	(9,000)	(9,845)	(4,500)	(4,500)	(4,923)	(2,250)	(2,250)	(2,461)
Taxable Income	67,872	65,872	66,285	72,372	70,372	71,208	36,686	35,186	36,150
Tax Current / Kelly	2,954	2,840	2,747	3,210	3,096	3,025	1,634	1,549	1,543
Effective Tax Rate	3.5%	3.3%	3.2%	3.8%	3.6%	3.6%	3.9%	3.6%	3.6%
Income tax savings		114	207		114	185		86	91

HB 2844 with 3% annual Inflation Tax Year 2026									
Description	Married, Two Kids			Married, No Kids			Single		
	Current Law	Kelly Plan	HB 2844	Current Law	Kelly Plan	HB 2844	Current Law	Kelly Plan	HB 2844
Adjusted Gr Income	212,180	212,180	212,180	212,180	212,180	212,180	106,090	106,090	106,090
Standard Deduct.	(8,000)	(10,000)	(8,742)	(8,000)	(10,000)	(8,742)	(3,500)	(5,000)	(3,825)
Personal Exemp.	(9,000)	(9,000)	(9,845)	(4,500)	(4,500)	(4,923)	(2,250)	(2,250)	(2,461)
Taxable Income	195,180	193,180	193,593	199,680	197,680	198,516	100,340	98,840	99,804
Tax Current / Kelly	10,210	10,096	9,940	10,467	10,353	10,218	5,262	5,177	5,140
Effective Tax Rate	4.8%	4.8%	4.7%	4.9%	4.9%	4.8%	5.0%	4.9%	4.8%
Income tax savings		114	270		114	249		86	122