Written Testimony to Oppose HB 2844
Kansas House Taxation Committee
Topeka, KS 66612

HB 2844 - Support to resolve social security cliff problem and oppose rough income tax

Chairman Smith and Committee Members:

I am a local tax researcher and business owner with 15 research publications. I support to resolve our social security (SS) tax cliff problem, which has been for many years, with one simple linear formula such as (175K-AGI)÷100K. For such as $1 AGI difference around $75,000, tax difference is $1,300, which is totally unfair. The serious problem can be resolved by one simple linear formula, which was presented in 2020 (A).

HB 2844 has income tax rate at 0% if taxable incomes are not over $14,000 for married filling joint returns (MJ) and $7,000 for others. I oppose the income tax rate 0% with following reasons:
(1) HB 2844 may reduce tax revenue by such as $300 million/year (Fiscal Note is needed). Where can we find the extra money or how to balance by cutting budget?
(2) $7,000×S (S is 2 for MJ or 1 for others) is deducted for every taxpayers, which is much easy to be combined into Kansas standard deductions;
(3) For taxable incomes such as $100,000, tax can be increased by $595 with HB 2844 comparing existing tax rate; and
(4) HB 2844 will not simplify our existing complex tax system with 48 (8×3×2) withholding formulas, 22-page Withholding Tables, multiple taxable income ranges, and 8-page Tax Table.

We may need to reconsider the deductions $7,000×S. Rough tax rate changes in HB 2844 and existing tax system is suggested into smooth tax rate changes (Fig).

(A) The 3 tax brackets at 0%, 5.2% and 5.65% in HB 2844

(B) Smooth 2 brackets at 2.5%-3.5%-5.65% (minor tax revenue change)

If annual taxable income is:	Tax rate and tax are:	Tax rate range:
Not over $30,000×S	(ATI÷S÷C + 0.03)×TI	2.5% - 3.5%
Over $30,000×S	(T - (D×S÷ATI))×TI	3.5%-5.65%

Fig. Tax Rate Comparison
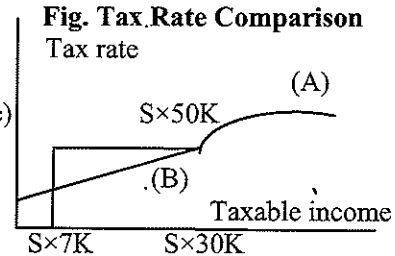
ATI is annual taxable income. S is tax status number (2 for married filing joint returns or 1 for all others). ATI is TI×F. TI is taxable income. F is filing period (on 1, 2, 4, 12, 24, 26, 52 or 365 basis). Bottom tax rate is such as 2.5%. T is top tax rate 5.65%. C is 3,000,000 from 30,000 to divide (÷) the 1-st tax rate range difference (0.035-0.025). D is 645 from 30,000 to multiply (×) the 2-nd tax rate range difference (0.0565-0.035). Tax rate ranges can be modified to meet tax revenue target (B).

This simplification with one linear formula and one existing formula can be used to eliminate our existing complex 48 (8×3×2) withholding formulas, 22-page Withholding Tables, and multiple taxable income ranges to save related costs $90 million per year (C). Our corporate tax is another issue with rough and high tax rates. Kansas needs a competitive corporate tax system with smooth tax rate changes.

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A. https://taxsimplecenter.net/uploads/8/3/3/9/83395216/article_ks_solution_for_ss_cliff_and_tax_problems7.pdf
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