

February 15, 2023

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
300 SW 10th Avenue, Room 548-S
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 79 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 79 is respectfully submitted to your committee.

SB 79 would allow a county commission the authority to submit to voters the question of imposing an earnings tax of up to 1.0 percent on individuals living or working within the county. The revenue would be used for general county purposes. A petition signed by at least 10.0 percent of voters in the county would be required to ask for an election to repeal the earnings tax or change the earnings tax rate. Voters would be required to vote on extending the earnings tax every five years. The bill includes definitions for “earnings tax” and “salaries, wages, commissions, and other compensation.”

Any person that is exempt from the payment of state income tax would also be exempt from the payment of the county earnings tax. The bill would allow taxpayers to credit the amount of the earnings tax paid to another county against the earnings tax of the county in which the taxpayer’s residence is located. The county would be allowed to provide for deductions and exemptions from salaries, wages, and commissions and may provide exemptions for spouses and dependents. The county would be allowed to create a formula for the calculation of the earnings tax for nonresident individuals that have earnings for work performed within the county and for work performed outside the county.

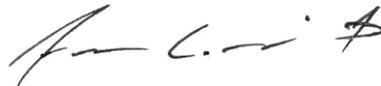
The county could require employers to collect and remit the earnings tax to the county. The employer would be allowed to deduct and retain 1.5 percent of the total amount of earnings tax collected as a fee to compensate the employer for collecting this tax; however, the county would be allowed to reduce, eliminate, or reimpose this fee by resolution. The State of Kansas, as an employer in any county, would be allowed to deduct 3.0 percent of the total amount of earnings

tax collected if the county earnings tax is less than 1.0 percent, and would be allowed to deduct 1.5 percent of the total amount of earnings tax collected if the county earnings tax is 1.0 percent. The county would be allowed to request that employers submit a list of all employees residing within the county on a yearly basis.

The Kansas Association of Counties indicates the bill would allow county governments the ability to raise revenue for general county purposes through an earnings tax if approved by the voters in that county. Considerations for the county would include the administrative costs necessary to administer and enforce compliance with the earnings tax, the amount of the administrative fee retained by employers for collecting and remitting the earnings tax from their employees, and the cost of an election authorizing an earnings tax. The Association does not know how many counties would request an election to impose an earnings tax or what the amount of the earnings tax would be to make an estimate of the fiscal effect associated with the bill.

The Department of Revenue indicates SB 79 would have no fiscal effect on state tax revenues, and the League of Kansas Municipalities indicates that the bill would not have a fiscal effect on cities.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Jay Hall, Kansas Association of Counties
Wendi Stark, League of Kansas Municipalities