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MEMORANDUM

To: Senate Committee on Assessment and Taxation

From: Office of Revisor of Statutes

Date: February 27, 2025

Subject: Senate Bill No. 108, As Introduced

Summary

Senate Bill No. 108 would authorize counties to impose an earnings tax upon individuals employed or working in such county and resident individuals of such county upon submitting a proposition to levy an earnings tax at an election and receiving the approval of a majority of the electors of the county voting on the question.

The earnings tax is defined in the bill as a tax on the salaries, wages, commissions and other compensation earned by nonresidents of the county for work done or services performed or rendered in the county and by residents of the county. "Salaries, wages, commissions and other compensation" does not include contributions to deferred compensation plans if such contribution is not subject to Kansas state income tax. If a majority of the electors voting thereon approve the levying of such tax, the governing body of the county would provide for the levy by resolution.

Any earnings tax shall not exceed 1% per annum. The revenue shall be pledged for general county purposes, and all of the revenue derived from the earnings tax shall be credited in the budget of the county to reduce the amount of revenue otherwise necessary to be derived from the ad valorem property tax. Once every five years after the initial levy, the question whether to continue the tax would need to be submitted to the electors.

Any person exempt from the payment of state income tax pursuant to K.S.A. 79-32,113 would be exempt from the earnings tax. The county would be able to provide for deductions and exemptions from salaries, wages and commissions and exemptions on account of spouses and dependents.

The state of Kansas and its political subdivisions would be required to deduct the tax from earnings of their employees who are subject to the tax and remit the same to the county. The state and its political subdivisions would be allowed to retain a percentage of the amount collected to compensate the employer for collection.

A county levying such tax would be authorized to require employers within the county to collect and remit the tax that may be levied upon its employees. Such employers would be entitled to retain a percentage of the amount collected to compensate the employer for collecting the tax, unless the county by resolution reduces or eliminates the fee.

In accordance with the specific provisions of the bill, the county would be able to request of all employers within the state listings of employees who reside in the county and their addresses. Such lists shall only be used for purposes of the collection of the earnings tax and shall be treated as confidential as provided in the bill.

The bill would take effect from and after its publication in the statute book.