



March 4, 2025

Nathan Kessler, Tax Policy Advisor
Kansas Action for Children
Verbal Testimony in Opposition to SB 259
Senate Committee on Assessment and Taxation

Chairwoman Tyson and members of the Committee:

Thank you for the opportunity to testify in opposition to SB 259, which would provide for a formulaic reduction of income tax rates until a flat rate of 4.5% is achieved.

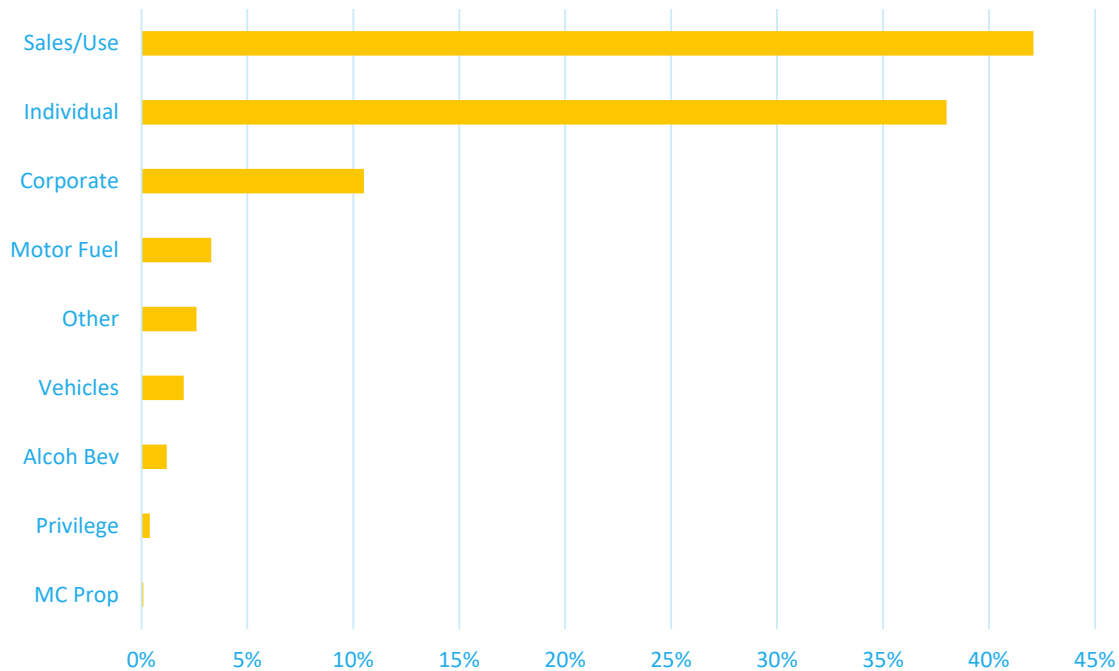
KAC stands in strong opposition to this effort to move from a graduated rate structure to a flat income tax because it would be very costly, would jeopardize the financial security of the state, and would shift the burden onto working- and middle-class consumers and homeowners.

Corporate and individual income taxes make up nearly 50% of all Kansas tax collections, accounting for more than \$6.7 billion in 2024.¹ These revenues are used to pay for education, health care, infrastructure, and much more. Reducing these revenues will force the state to cut spending in these and other areas to maintain a balanced budget, which is required by the *Kansas Constitution*. Beyond being widely unpopular, cuts to these programs will worsen outcomes for many of the state's most vulnerable, including children relying on public education and insurance.

With the passage of SB 1 during the 2024 Special Session, several major and expensive changes were made to the state income tax system. However, the move to a flat income tax would be far more costly both in terms of fiscal impact and economic stability. This is because a graduated rate structure is more elastic, and therefore less prone to stress in an economic downturn.

¹ Kansas Department of Revenue. (2024). *Annual Report, 2024*.

Kansas Tax Collections by Source



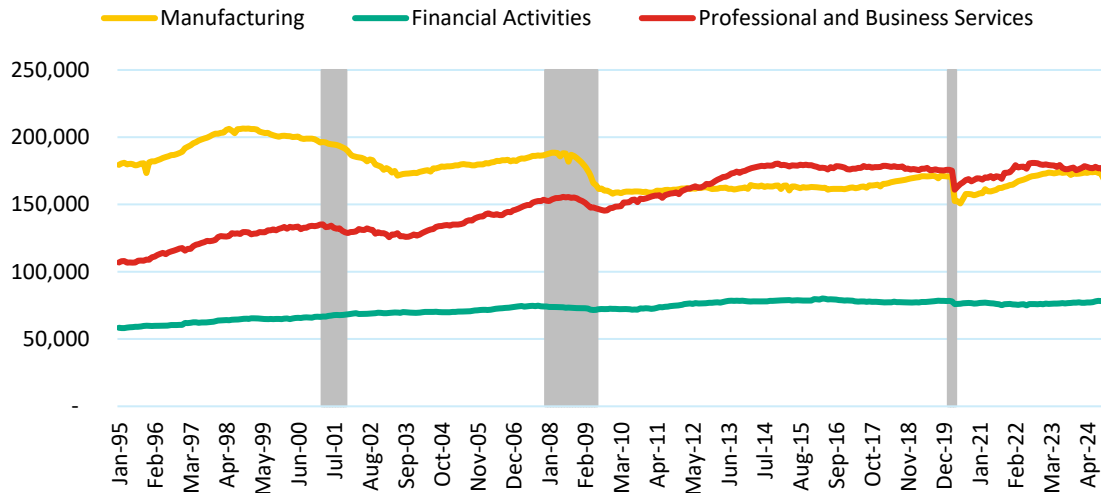
Source: Kansas Department of Revenue. (2024). *Annual Report, 2024*.

Consider the 2008 financial crisis and the 2020 COVID recession. In both instances, working- and middle-class workers in industries like manufacturing were hit harder than their white-collar counterparts.² In a graduated rate system, the shock of revenue loss from the lower tax brackets is partially absorbed by the higher rates paid by higher-income households.

In a single rate system, there is no shock absorber, and therein lies one of the major pitfalls of a flat tax: it leaves state governments fighting with one hand tied behind their back in a recession. In an economic downturn, public costs soar – largely because of increased unemployment. Without a robust revenue stream (the so-called “three-legged stool” of taxation), Kansas will be caught on the back foot in a recession and struggle to stage a recovery.

² U.S. Bureau of Labor Statistics. (n.d.). *Current Employment Statistics (CES)*, 1995-2024.

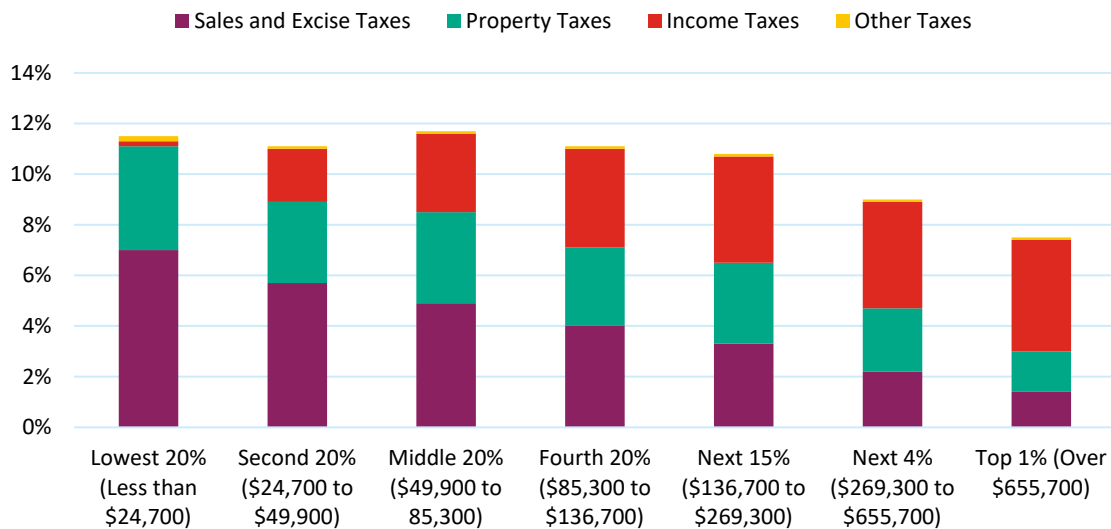
Kansas Employment in Selected Industries since 1995



Source: U.S. Bureau of Labor Statistics. Current Employment Statistics, 1995- 2024

However, even in good economic times, a flat tax is inferior to a graduated rate system – not just because it raises less revenue, but because it shifts the tax burden onto the working and middle class. Among the major taxes – sales, property, and income – the income tax is the only one that is progressive in nature. This means that the tax liability, as a percentage of annual income, *progresses* as income increases. The chart below illustrates how a graduated income tax offsets the tax burden of low- and middle-income earners.

Effective Tax Rate by Kansas Income Bracket



Source: Institute on Taxation and Economic Policy. (January 2024). "Who Pays? 7th Edition"

The chart shows the effective tax rate by income bracket in Kansas, which is the percentage of annual income spent on taxes. The chart further breaks down the annual tax burden by type of tax. While sales and property taxes tend to place a higher burden on the lower- and middle-income brackets, the income tax is more skewed toward the top earners. This is how the income tax acts as a sort of equalizer in sharing the cost of public services.

By changing to a flat tax, the wealthiest taxpayers in the state would receive the greatest benefit while the middle class is left shouldering more of the tax burden. An efficient, sustainable tax system requires that everybody has some skin in the game, that they pay their fair share. A flat tax reduces the fairness and effectiveness of a state's tax code to the detriment of the majority of taxpayers.

Continued erosion of the tax base risks cuts to funding for critical services that every Kansan relies on. With the federal tax debate ahead and the full effects of SB 1 (2024 Special Session) yet to be fully realized, now is not the time to pursue large structural changes in the state tax code.

This legislation would have the state buy down the personal and corporate income tax rates any time collections exceed expectations, which is akin to a worker cutting back their hours instead of saving any time their wages exceed expenses. Both cases represent short-sighted decision making that will result in financial hardship in an emergency. Rather than taking this inefficient route for delivering tax relief, the Committee should consider alternatives like a child tax credit. This would deliver real relief to thousands of Kansas families, especially those with the greatest need.

In the long term, broadening the income tax base by expanding the definition of taxable income and eliminating policies that provide preferential treatment would allow for a lower tax rate across the board. Consider, for example, that Missouri has eight tax brackets and a top marginal rate of 4.8%. This is a much more sustainable model based on a core principle of sound tax policy: a broader base allows for lower rates.

I urge the Committee to vote no on this effort to further narrow our tax base. Please contact me at nathan@kac.org if I can be of further assistance.

About Kansas Action for Children

Kansas Action for Children is a nonprofit advocacy organization working to make Kansas a place where every child has the opportunity to grow up healthy and thrive. We work across the political spectrum to improve the lives of Kansas children through bipartisan advocacy, partnership, and information-sharing on key issues, including early learning and education, health, and economic security for families.