

HB 2727 Testimony
House Taxation Committee
Kansas State Capitol
Topeka, KS 66612

Subject: HB 2727 - Increasing the income limit for the income tax subtraction modification for social security income.

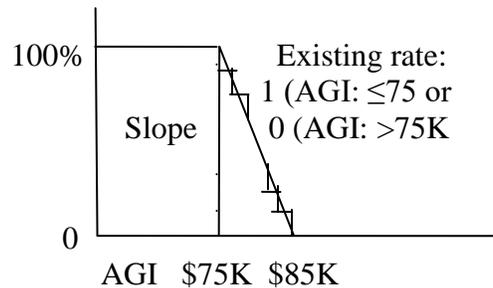
Chairman Smith and Taxation Committee Members:

We support the concept of HB 2727. Kansas needs to resolve our social security income (SSI) tax cliff problem. We also have one concern and one suggestion.

Kansas has the SSI cliff problem with 100% as a subtraction benefit when adjustable gross income (AGI) is \$75,000 or less. When AGI is over \$75,000, the benefit is to 0 immediately, which produces the cliff problem. Slight AGI differences such as from \$74,999 to \$75,001 cause significant SSI tax differences such as \$1,000 if SSI is about \$20,000.

Your Taxation Committee has proposed HB 2727 to reduce the benefit by 10% for each \$1,000 of AGI from \$75,000 to \$85,000. The benefit rate is reduced from 100% to 0 with the ten steps by the 10%/each. Our concern is the existing cliff problem at \$75,000 is converted into the ten other cliff problems.

We suggest to use one simple formula for resolving our social security income tax cliff problem. The rates change smoothly and gradually from 100% to 0.



Long-Term Solution: One formula

- (1) $(1 - (AGI - 75,000) \div 10,000) \times SSI$
- (2) Other options: Starting-end point and 2 status effects

Social security income (SSI) benefit rate shall be reduced gradually from 100% for the adjustable gross income (AGI) at or less than \$75,000 to 0% at or more than \$85,000 with one formula of $1 - (AGI - 75,000) \div 10,000$. The subtraction benefit is: $(1 - (AGI - 75,000) \div 10,000) \times SSI$.

If you have any questions, let me know. Let us work together for Kansas.

Thank you.

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