

March 14, 2022

The Honorable Adam Smith, Chairperson  
House Committee on Taxation  
Statehouse, Room 346-S  
Topeka, Kansas 66612

Dear Representative Smith:

**SUBJECT:** Fiscal Note for HB 2727 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2727 is respectfully submitted to your committee.

Under current law, taxpayers filing as single, head of household, married filing separate, or married filing jointly are allowed to subtract the full amount of Social Security benefits from federal adjusted gross income for Kansas income tax purposes, if the taxpayer has income of \$75,000 or less. HB 2727 would reduce the subtraction modification of Social Security benefits from federal adjusted gross income by 10.0 percent for each \$1,000 above the \$75,000 threshold for all taxpayers beginning in tax year 2023. This will allow taxpayers with income of \$75,000 up to \$84,000 to subtract a portion of Social Security benefits from federal adjusted gross income.

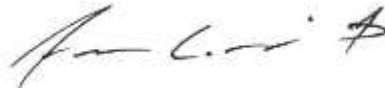
Estimated State Fiscal Effect				
	FY 2022 SGF	FY 2022 All Funds	FY 2023 SGF	FY 2023 All Funds
Revenue	--	--	(\$1,800,000)	(\$1,800,000)
Expenditure	--	--	\$36,412	\$36,412
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2727 would decrease State General Fund revenues by \$1.8 million in FY 2023, \$6.0 million in FY 2024, and \$6.5 million in FY 2025. To formulate these estimates, the Department reviewed data on Social Security benefits from tax year 2020. The Department indicated that there were approximately 12,400 taxpayers receiving Social Security benefits with federal adjusted gross income of \$75,000.01 up to \$84,000. The Department

adjusted the amount of Social Security benefits to account for cost-of-living adjustments that have occurred since tax year 2020 and used an average growth rate of 2.0 percent for future years. The Department created a simulated tax table for all taxpayers that receive Social Security benefits that shows that State General Fund revenues would decrease by \$1.8 million in FY 2023 as a result of this bill. The individual income tax estimate for FY 2023 includes 30.0 percent of tax year 2023 tax liability. The individual income tax estimate for FY 2024 includes 70.0 percent of tax year 2023 tax liability and 30.0 percent of tax year 2024 tax liability. The Department estimates that the number of tax returns grows approximately 1.0 percent each year

The Department indicates that the bill would require \$36,412 from the State General Fund in FY 2023 to implement the bill and to modify the automated tax system. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department's current budget may be required. Any fiscal effect associated with HB 2727 is not reflected in *The FY 2023 Governor's Budget Report*.

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