

**HB 2061 – Written Proponent Testimony**  
**House Committee on Taxation**  
**Providing a 5% Income Tax Rate on Individuals and**  
**Businesses**  
**Michael Austin – Legislative Director**  
**February 14, 2023**



Chair Smith and Members of the Committee,

On behalf of the Americans for Prosperity Kansas Chapter, we appreciate this opportunity to submit testimony in support of HB 2061. HB 2061 providing a personal and corporate income tax rate of 5%, decreases the surtax for privilege taxpayers and providing that future income tax rate decreases be contingent on exceeding revenue estimates. We hold the following positions on HB 2061.

1. HB 2061 provides more relief to vulnerable Kansans than the current tax structure.
2. HB 2061 prevents Kansas taxpayers from inflation and bracket creep.
3. HB 2061 is affordable with the Kansas state budget.
4. HB 2061 puts Kansas in line with fellow states and economic growth.

**HB 2061 provides more relief to vulnerable Kansans than the current tax structure.**

HB 2061 exempts the first \$15,000 and \$30,000 from state income tax for single and married filers respectively. HB 2061 also lowers the marginal tax rate for incomes higher than \$15,000 (single) and \$30,000 (married) from 5.25% and 5.7% to 5%. HB 2061 gives the biggest tax relief to the lowest income generating Kansans.

<b>HB 2061 Helps The Most Vulnerable Kansans</b>					
Income (KAGI)	Current Tax Liability	HB 2061 Tax Liability	Tax Savings		
			Dollars	Percent	
\$ -	\$ -	\$ -	Not Applicable		
\$ 10,000	\$ 131.75	\$ -	\$ (131.75)	-100%	
\$ 15,000	\$ 286.75	\$ -	\$ (286.75)	-100%	
\$ 20,000	\$ 441.75	\$ 250.00	\$ (191.75)	-43%	
\$ 30,000	\$ 950.63	\$ 750.00	\$ (200.63)	-21%	
\$ 40,000	\$ 1,494.75	\$ 1,250.00	\$ (244.75)	-16%	
\$ 50,000	\$ 2,064.75	\$ 1,750.00	\$ (314.75)	-15%	

*Source: Kansas Department of Revenue & Author's Calculations*

**HB 2061 prevents Kansas taxpayers from inflation and bracket creep.**

Say there is a Kansas family of four making \$60,000 in 2019. If this family got a pay raise equal to the rate of inflation, then by 2022 this family would make \$68,280. This income growth would put this family into the highest state tax bracket of 5.7% from 5.25%. By 2022, their new state income taxes owed is \$2,283.45, an inflation-driven tax increase of \$434.70. Despite paying more in state taxes, their increased purchasing power is completely wiped out from inflation. HB 2061 nearly eliminates the inflation-driven tax burden. Moreover, by taxing income at one rate, HB 2061 prevents families from moving to higher tax brackets simply because of inflation.

<b>HB 2061 Protects Kansas Families From Inflation-Driven Tax Hikes</b>					
Married Family w/ Two Children Making \$60,000 in 2019					
2019 Tax Liability	Current Income (13.8% Inflation Boosted)	Current Tax Liability	HB 2061 Tax Liability	Tax Savings	
				Dollars	Percent
\$ 1,848.75	\$ 68,280.00	\$ 2,283.45	\$ 1,914.00	\$(369.45)	-16%
Source: Kansas Department of Revenue, Bureau of Labor Statistics, & Author's Calculations					

**HB 2061 is affordable with the Kansas state budget.**

According to the latest state budget profile, the state of Kansas has a roughly \$2 billion surplus. This gives an incredible opportunity to provide relief to all Kansans, including the most vulnerable taxpayers. Moreover, the state has opportunities to find efficiencies through Performance-Based Budgeting. Our report of the spending improvement process identified \$815 million spent on failing state programs.<sup>1</sup> Redirecting just a portion of funds from failing programs to HB 2061 makes tax relief for low-income Kansans even more affordable.

**HB 2061 puts Kansas in line with fellow states and economic growth.**

In more than a century of state income tax rates, only four states ever reformed their complex tax structure to a single rate. Since 2022, four states have passed more single rate tax structures; Georgia, Iowa, Mississippi, and Arizona. HB 2061 gives Kansas an opportunity to follow fellow states in crafting simple tax codes.

Moreover, Kansans’ economic health is stagnant. Kansans still are not finding jobs to the level of pre-Laura Kelly’s COVID shutdown order.<sup>2</sup> Kansans’ income is growing at the 39<sup>th</sup> fastest clip in the country.<sup>3</sup> HB 2061 grows the rewards to work and instantly boosts personal income, making Kansans’ wellbeing on par with the rest of the country.

For these reasons, I urge the committee to consider HB 2061 for passage.

<sup>1</sup> Americans for Prosperity – Kansas & Kansas Policy Institute, *Review of Kansas’ Performance-Based Budgeting Shows Poor Results*, <https://kansaspolicy.org/review-of-kansas-performance-based-budgeting-shows-poor-results/>

<sup>2</sup> U.S. Bureau of Labor Statistics, *State and Metro Area Employment, Hours & Earnings*, <https://www.bls.gov/sae/data/>

<sup>3</sup> U.S. Bureau of Economic Analysis, *Gross Domestic Product by State and Personal Income by State, 3rd Quarter 2022*, <https://www.bea.gov/news/2022/gross-domestic-product-state-and-personal-income-state-3rd-quarter-2022>