

SB 30 Proponent Testimony – written only
Indexing the standard deduction for inflation
Senate Assessment and Taxation Committee
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Madam Chair and Members of the Committee,

We appreciate this opportunity to submit proponent testimony on SB 30, which would index the standard deduction for inflation.

Kansas and other states have experienced large revenue gains recently, and a large portion of that is simply caused by inflation, as demonstrated in the tables below.

Let’s say inflation was a little below 2%, as it had been for several years prior to 2021, and a married couple with two children taking the standard deduction had a 2% pay increase in 2022. Their federal income tax would have increased by \$71 or just 1.3% because federal standard deductions and tax brackets are indexed for inflation. That couple’s state income tax increased by \$79, or 3.3%. They have a larger increase in state tax because the standard deduction and tax brackets are not increased for inflation.

Married, Two Kids, Only Wage Income, 2% Pay Increase			
Description	2021	2022	Change
Federal			
Gross Income	75,000	76,500	2.0%
Standard Deduction	(25,100)	(25,900)	
	49,900	50,600	
Federal tax	5,590	5,661	1.3%
State			
Federal AGI	75,000	76,500	
Standard Deduction	(8,000)	(8,000)	
Exemptions	(9,000)	(9,000)	
	58,000	59,500	
State tax	2,400	2,479	3.3%
After-Tax Income			
Gross Income	75,000	76,500	1,500
Federal income tax	(5,590)	(5,661)	71
State income tax	(2,400)	(2,479)	79
Payroll tax	(5,738)	(5,852)	115
After-Tax Income	61,273	62,508	1,236

Source: Kansas, federal tax tables and instructions

Married, Two Kids, Only Wage Income, 7% Pay Increase			
Description	2021	2022	Change
Federal			
Gross Income	75,000	80,250	7.0%
Standard Deduction	(25,100)	(25,900)	
	49,900	54,350	
Federal tax	5,590	6,111	9.3%
State			
Federal AGI	75,000	80,250	
Standard Deduction	(8,000)	(8,000)	
Exemptions	(9,000)	(9,000)	
	58,000	63,250	
State tax	2,400	2,690	12.1%
After-Tax Income			
Gross Income	75,000	80,250	5,250
Federal income tax	(5,590)	(6,111)	521
State income tax	(2,400)	(2,690)	290
Payroll tax	(5,738)	(6,139)	402
After-Tax Income	61,273	65,310	4,037

Source: Kansas, federal tax tables and instructions

But if that couple got a 7% increase to offset inflation, their state tax bill would jump by 12.1%. Their federal tax would increase by 9% by comparison because the federal deduction and tax brackets were indexed for 3% inflation in 2022. Their purchasing power didn’t change because of inflation, but the State of Kansas got a 12% boost instead of 3%.

Kansas residents shouldn’t be paying a tax on inflation, and SB 30 will partially address that by indexing the standard deduction to inflation.

Thank you for your consideration.