

Chair Tyson and Members of the Committee,

SB 169 provides a personal income tax rate of 4.75. On behalf of the Americans for Prosperity Kansas Chapter, we appreciate this opportunity to submit testimony in support of SB 169. We hold the following positions on SB 169.

1. SB 169 prevents Kansas taxpayers from inflation and bracket creep.
2. SB 169 is affordable with the Kansas state budget.
3. SB 169 puts Kansas in line with fellow states and economic growth.
4. SB 169 needs a more considerable standard deduction expansion to decrease the burden on the most vulnerable Kansans.

### **SB 169 prevents Kansas taxpayers from inflation and bracket creep.**

During times of high inflation, taxpayers may experience a concept called “Bracket Creep.” It’s when inflation pushes taxpayers into higher income tax brackets or reduces the value of credits, deductions, and exemptions. In other words, taxpayers see an increase in income taxes but have no increase in real income. Tax brackets are indexed to inflation on the federal tax code to prevent this. Also, some states have a single tax rate that prevents bracket creep. Kansas has neither within its tax code. SB 169 simplifying Kansas’s graduated tax rates into one rate helps protect taxpayers from inflation and bracket creep.

### **SB 169 is affordable with the Kansas state budget.**

The latest state budget profile shows Kansas has a roughly \$2 billion surplus. It’s 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 SB 169 makes tax relief for low-income Kansans even more affordable.

### **SB 169 puts Kansas in line with fellow states and economic growth.**

In more than a century of state income tax rates, only four states have 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. SB 169 allows Kansas 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

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<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/>

country.<sup>3</sup> SB 169 grows the rewards to work and instantly boosts personal income, putting Kansans' well-being on par with the rest of the country.

**SB 169 needs a more considerable standard deduction expansion to decrease the burden on the most vulnerable Kansans.**

SB 169 is a transformative tax policy. It buffers against future tax increases, makes the tax code more straightforward to understand, provides relief, and is a stopgap against runaway inflation. However, for this policy to be ideal, it should have a much larger standard deduction to ensure the most vulnerable and low-income Kansans are not uniquely burdened.

For these reasons, I urge the committee to consider SB 169 for passage.

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<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>