

January 23, 2023

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
300 SW 10th Avenue, Room 548-S
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 30 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 30 is respectfully submitted to your committee.

Under current law, the standard deduction for the calculation of Kansas income taxes is set at \$3,500 for single individual taxpayers, \$8,000 for married filing status, and \$6,000 for head of household. SB 30 would increase the standard deduction annually by the amount adjusted by the cost-of-living adjustment published in the Internal Revenue Code beginning in tax year 2023.

Estimated State Fiscal Effect				
	FY 2023 SGF	FY 2023 All Funds	FY 2024 SGF	FY 2024 All Funds
Revenue	--	--	(\$24,500,000)	(\$24,500,000)
Expenditure	--	--	\$31,095	\$31,095
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 30 would decrease State General Fund revenues by \$24.5 million in FY 2024, \$32.4 million in FY 2025, and \$42.3 million in FY 2026. To formulate these estimates, the Department of Revenue simulated this tax policy change based on actual tax return data from tax year 2020. The Department increased the standard deduction amounts by 5.0 percent in tax year (TY) 2023, 4.0 percent in TY 2024, 3.0 percent on TY 2025, and 2.0 percent in tax TY 2026. The standard deduction amounts used to calculate the fiscal note are as follows:

<u>Filing Status</u>	<u>Current Law</u>	<u>TY 2023</u>	<u>TY 2024</u>	<u>TY 2025</u>	<u>TY 2026</u>
Married Filing Jointly	\$8,000	\$8,400	\$8,736	\$8,998	\$9,178
Single	\$3,500	\$3,675	\$3,822	\$3,937	\$4,016
Head of Household	\$6,000	\$6,300	\$6,552	\$6,749	\$6,884
Married Filing Separately	\$4,000	\$4,200	\$4,368	\$4,499	\$4,589

The Department indicates that the bill would require \$31,095 from the State General Fund in FY 2024 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.

The Department of Administration indicates that adjusting state income tax collections has the potential to have a fiscal effect on the amount of revenue collected from its debt setoff program. This program intercepts individual income tax refunds and homestead tax refunds and applies those amounts to debts owed to state agencies, municipalities, district courts, and state agencies in other states. Debts include, but are not limited to child support, taxes, educational expenses, fines, services provided to the debtor, and court ordered restitution. As the dollar amounts of refunds are increased, the amount available for possible debt setoffs is also increased. However, the Department is unable to make an estimate of the amount of additional debt setoffs that would be intercepted as a result of the bill. Any fiscal effect associated with SB 30 is not reflected in *The FY 2024 Governor's Budget Report*.

Sincerely,



Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Tamara Emery, Department of Administration