

SESSION OF 2024

**SUPPLEMENTAL NOTE ON HOUSE SUBSTITUTE FOR  
SENATE BILL NO. 300**

As Amended by House Committee of the Whole

**Brief\***

House Sub. for SB 300, as amended, would make various changes to income, sales, and property tax law. Specifically, the bill would:

- Restructure individual income tax brackets with reduced tax rates;
- Exempt Social Security income from the individual income tax;
- Increase the standard deduction and personal exemption amounts and provide for future increases by a cost-of-living adjustment;
- Reduce privilege tax rates;
- Reinstate the transfer from the State General Fund (SGF) to the Special City and County Highway Fund and abolish the Local Ad Valorem Tax Reduction Fund and County and City Revenue Sharing Fund;
- Increase the amount of the appraised value of residential property exempt from the statewide uniform school finance levy and reduce the mill levy; and
- Accelerate the elimination of the state sales and compensating use tax rate on food and food

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\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

ingredients and the associated disposition of revenue changes.

### ***Individual Income Tax Brackets and Rates***

The bill would restructure the Kansas individual income tax brackets, beginning in tax year 2024. For married individuals filing jointly, taxable income of \$0 to \$14,000 would be taxed at 0.0 percent, taxable income from \$14,001 to \$60,000 would be taxed at 5.2 percent, and taxable income of \$60,001 and above would be taxed at 5.65 percent.

For all other filers, taxable income of \$0 to \$7,000 would be taxed at 0.0 percent, taxable income from \$7,001 to \$30,000 would be taxed at 5.2 percent, and taxable income of \$30,001 and above would be taxed at 5.65 percent.

### ***Social Security Benefit Exemption***

Beginning in tax year 2024, all Social Security benefits would be exempt from Kansas income tax.

### ***Standard Deduction and Personal Exemption Amounts Increase and Cost-of-living Adjustments***

The bill would increase the standard deduction amounts from \$3,500 to \$3,605 for single filing status, \$8,000 to \$8,240 for married filing status, and \$6,000 to \$6,180 for head of household filing status for tax year 2024. These amounts would be further increased by the cost-of-living adjustment determined under Section 1(f)(3) of the Internal Revenue Code for tax years 2025 and 2026.

The bill would increase the personal exemption amount from \$2,250 to \$2,320 in tax year 2024 and provide for personal exemption amounts to be increased by the cost-of-living adjustment determined under Section 1(f)(3) of the Internal Revenue Code for tax years 2025 and 2026.

The increase and cost-of-living adjustments to the personal exemption amounts would also apply to the additional personal exemption amount for veterans who are 100.0 percent permanently disabled.

### ***Financial Institutions Privilege Tax Rate Changes***

The bill would reduce the privilege tax rates applied to financial institutions:

- For banks, the normal tax rate would be reduced from 2.25 percent to 1.63 percent for tax year 2025 and all years thereafter.
- For trust companies and savings and loan associations, the normal tax rate would be reduced from 2.25 percent to 1.61 percent for tax year 2025 and all years thereafter.

[*Note:* The surtaxes on financial institutions would not be affected by the bill.]

### ***Local Government Transfers***

The bill would reinstate, effective for FY 2025, the transfer from the SGF to the Special City and County Highway Fund based on the SGF receipts from motor carrier property taxes and commercial vehicle fees. [*Note:* This transfer is scheduled to resume in FY 2026 under current law.]

The bill would abolish the Local Ad Valorem Tax Reduction Fund and County and City Revenue Sharing Fund and eliminate statutory transfers from the SGF to these funds.

### ***School Finance Levy Residential Exemption***

The bill would increase, beginning in tax year 2024, the amount of residential property exempt from the statewide uniform school finance levy to \$100,000 of appraised value.

The bill would discontinue the formula to increase the amount of the exemption based upon the statewide average increase in residential valuation over the preceding ten years.

The bill would reduce the uniform school finance levy from 20 mills to 18 mills in tax year 2024.

The bill would require a demand transfer be made from the SGF to the School Finance Fund in the amount of any reduction to the School Finance Fund attributable to the residential exemption in excess of \$42,049 and the mill levy below 20 mills, as certified by the Director of the Budget.

### ***Food Sales Tax Changes***

The bill would accelerate the elimination of the state sales and compensating use tax rate on food and food ingredients from January 1, 2025, to July 1, 2024.

The bill would accelerate the raise in the percentage of sales tax revenue distributed to the State Highway Fund to 18.0 percent of sales and use tax receipts beginning July 1, 2024, rather than beginning on January 1, 2025.

### **Background**

The bill was introduced by the Senate Committee on Taxation at the request of Senator Blasi and, as introduced, concerned privilege tax rates. The House Committee on Taxation removed the contents of the bill and inserted the amended contents of HB 2844, the background of which follows below.

### ***HB 2844***

HB 2844 was introduced by the House Committee on Taxation at the request of Representative A. Smith.

### *House Committee on Taxation*

In the House Committee hearing, **proponent** testimony was provided by representatives of the Kansas Chamber, Kansas Farm Bureau, Kansas Livestock Association, and Kansas Policy Institute. The proponents generally stated the bill would provide broad-based tax relief and represented a compromise of various other tax plans.

Written-only proponent testimony was provided by representatives of Kansas Association of Realtors, Kansas Bankers Association, and National Federation of Independent Business-Kansas.

Neutral testimony was provided by representatives of the Institute for Policy and Social Research at the University of Kansas and the Kansas National Education Association.

Written-only neutral testimony was provided by representatives of the Kansas Association of Counties and Kansas Association of School Boards.

No other testimony was provided.

The House Committee amended the bill to insert the provision reinstating the transfer to the Special City and County Highway Fund.

### ***House Committee of the Whole***

The House Committee of the Whole amended the bill to:

- Exempt all Social Security benefits from the individual income tax;
- Increase the amount of the appraised value of residential property exempt from the statewide uniform 20-mill school finance levy to \$100,000

and eliminate the provision providing for future increases to the exempt amount;

- Require a demand transfer to the School Finance Fund; and
- Accelerate the elimination of state sales and compensating use tax on food and food ingredients and the associated disposition of revenue changes.

### **Fiscal Information**

A revised fiscal note on the amended bill was not immediately available.

Taxation; income tax; property tax; rates; brackets; Social Security benefits; standard deduction; personal exemption; privilege tax; residential exemption; mill levy; Special City and County Highway Fund; Local Ad Valorem Tax Reduction Fund; food sales tax