

SESSION OF 2024

**SUPPLEMENTAL NOTE ON SUBSTITUTE FOR SENATE  
BILL NO. 377**

As Recommended by Senate Committee on  
Assessment and Taxation

**Brief\***

Sub. for SB 377 would make various changes to income, sales, and property tax law. Specifically, the bill would:

- Replace individual income tax brackets with a single rate of 5.25 percent;
- Exempt Social Security income from the individual income tax;
- Provide for annual standard deduction increases by a cost-of-living adjustment;
- Provide for an increase to the personal exemption amount and future personal exemption amount increases by a cost-of-living adjustment;
- Reduce privilege tax rates;
- Accelerate the elimination of state sales and compensating use tax on food and food ingredients and the associated disposition of revenue changes; and
- Increase the amount of the appraised value of residential property exempt from the statewide uniform 20 mill school finance levy to \$100,000.

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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>

The bill would be in effect upon publication in the *Kansas Register*.

### ***Individual Income Tax Single Rate***

The bill would provide, beginning in tax year 2025, for a single individual income tax rate of 5.25 percent to be applied to all Kansas taxable income in excess of \$12,300 for married individuals filing joint returns and \$6,150 for all other individuals. Kansas taxable income less than those amounts would not be taxed.

### ***Social Security Benefit Income Taxation Cliff Phase Out***

Beginning in tax year 2024, the bill would expand the existing income tax exemption for federally taxable Social Security benefits available to taxpayers with \$75,000 or less in federal adjusted gross income (FAGI) to phase out taxpayer eligibility for the exemption through a linear transition formula from \$75,000 in FAGI to \$100,000 in FAGI.

The bill would provide for annual increases of \$5,000 to the upper bound of the transition beginning in tax year 2025.

### ***Standard Deduction Cost-of-Living Adjustment***

The bill would, beginning in tax year 2024, provide for all Kansas individual income tax standard deduction amounts to be annually increased by the cost-of-living adjustment determined under Section 1(f)(3) of the Internal Revenue Code.

### ***Personal Exemption Amount Increase and Cost-of-Living Adjustment***

The bill would increase the personal exemption amount from \$2,250 to \$2,300 in tax year 2024 and provide for personal exemption amounts to be annually increased by the

cost-of-living adjustment determined under Section 1(f)(3) of the Internal Revenue Code, beginning in tax year 2025.

The increase and cost-of-living adjustments would also apply to the additional personal exemption amount for veterans with 100 percent disability rating.

### ***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.]

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

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

The bill would raise the percentage of sales tax revenue distributed to the State Highway Fund to 18.0 percent of sales and use tax receipts beginning April 1, 2024.

[*Note:* Under current law, the rate is scheduled to be reduced to 0.0 percent on January 1, 2025, and the proportion of sales and use tax receipts distributed to the State Highway Fund is scheduled to be increased to 18.0 percent beginning January 1, 2025.]

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

The bill would increase, beginning in tax year 2024, the amount of residential property exempt from the statewide uniform 20 mill school finance levy to \$100,000 of appraised value.

A formula to increase the amount of the exemption based upon the statewide average increase in residential valuation over the preceding ten years would again take effect in 2025.

### **Background**

The Senate Committee on Assessment and taxation agreed to remove the contents of SB 377, that would have made income, privilege, sales and property tax changes, and inserted the contents concerning income, sales, and property tax of the Conference Committee Report (CCR) for HB 2284. Additionally, provisions concerning a Social Security benefits cliff phaseout were added from the CCR for SB 169 in the place of Social Security benefits exemptions contained in the CCR for HB 2284. The Senate Committee recommended these changes be incorporated into a substitute bill.

### **Fiscal Information**

A fiscal estimate for the substitute bill was not immediately available.

Taxation; income tax; rates; brackets; privilege tax; Social Security benefits; standard deduction; personal exemption; sales tax; food sales tax; State Highway Fund; property tax; exemption amount