

SESSION OF 2024

**SUPPLEMENTAL NOTE ON SENATE BILL NO. 539**

As Amended by Senate Committee on  
Assessment and Taxation

**Brief\***

SB 539, as amended, would make various changes to income and property tax law. Specifically, the bill would:

- Replace individual income tax brackets with a single rate;
- Exempt Social Security income from the individual income tax;
- Increase the personal exemption amounts;
- Increase the standard deduction amount for single filers;
- Provide for annual personal exemption amount and standard deduction increases by a cost-of-living adjustment;
- Reduce privilege tax rates; and
- Increase the amount of the appraised value of residential property exempt from the statewide uniform 20-mill school finance levy to \$80,000.

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

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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>

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

The bill would provide for a single individual income tax rate to be set at:

- 5.7 percent in tax year 2024;
- 5.65 percent in tax year 2025;
- 5.6 percent in tax year 2026;
- 5.55 percent in tax year 2027;
- 5.5 percent in tax year 2028; and
- 5.45 percent in tax year 2029 and all future tax years.

The bill would eliminate a provision that eliminates any tax owed for single filers with taxable income less than \$2,500 and married couples filing joint returns with taxable income less than \$5,000.

### ***Personal Exemption Amount Increase***

The bill would increase the personal exemption allowance amount, currently set at \$2,250 for all persons on the return, to \$22,000 for married couples filing joint returns, \$11,000 for all other filers, and an additional \$3,000 for each dependent listed on the return.

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

Beginning in tax year 2024, the bill would exempt all Social Security benefits from the individual income tax.

### ***Standard Deduction Single Filer Increase***

The bill would, beginning in tax year 2024, increase the Kansas individual income tax standard deduction amount for single filers from \$3,500 to \$4,000.

### ***Cost-of-Living Adjustments***

The bill would, beginning in tax year 2025, provide for all Kansas individual income tax standard deduction amounts and personal exemption allowance amounts to be annually increased by the cost-of-living adjustment determined under Section 1(f)(3) of the Internal Revenue Code.

### ***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 1.94 percent for tax year 2025, and 1.63 percent for tax year 2026 and all tax years thereafter.

For trust companies and savings and loan associations, the normal tax rate would be reduced from 2.25 percent to 1.93 percent for tax year 2025 and 1.61 percent for tax year 2026 and all years thereafter.

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

### ***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 \$80,000 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 take effect in 2025.

The bill would also make technical changes.

## **Background**

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Tyson.

### ***Senate Committee on Assessment and Taxation***

In the Senate Committee hearing, **proponent** testimony was provided by Representative Averkamp, a representative of Americans for Tax Reform, and two private citizens. The proponents generally stated the bill would provide broad tax relief to Kansans, single-rate tax systems are easier for taxpayers to understand, and the bill is responsive to criticisms of previous tax plans.

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

Written-only opponent testimony was provided by representatives of Kansas Action for Children, Kansas National Education Association, Tax Simple Center, and Voter Rights Network of Wyandotte County, and a private citizen.

No other testimony was provided.

The Senate Committee amended the bill to provide for the full exemption of Social Security benefits and to remove a provision that would accelerate the final reduction of the state sales tax rate on food and food ingredients.

## Fiscal Information

According to the Department of Revenue, the bill, as amended, would have the following fiscal effect:

<b>(Dollars in Millions)</b>			
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
Income Tax Single Bracket, Std Ded, Pers Ex	\$ (244.9)	\$ (271.0)	\$ (349.6)
Social Security Exemption	(152.1)	(120.7)	(124.4)
Privilege Tax Rate Reductions	(6.8)	(7.4)	(7.5)
<i>Subtotal State General Fund</i>	<u>(403.8)</u>	<u>(399.10)</u>	<u>(481.50)</u>
Res. Property Tax Exemption Increases	(62.10)	(65.60)	(69.20)
<i>Subtotal All Other State Funds</i>	<u>(62.10)</u>	<u>(65.60)</u>	<u>(69.20)</u>
<b>Total All Funds</b>	<b><u>\$ (465.9)</u></b>	<b><u>\$ (464.7)</u></b>	<b><u>\$ (550.7)</u></b>

Note: Totals may not add due to rounding.

The fiscal effects associated with the Social Security income taxation exemption, standard deduction increases, privilege tax rate changes, and school finance levy residential exemption increases are partially reflected in *The FY 2025 Governor's Budget Report*.

Taxation; income tax; rates; personal exemption; standard deduction; Social Security benefits; indexing; property tax; residential exemption