

February 14, 2024

The Honorable Adam Smith, Chairperson
 House Committee on Taxation
 300 SW 10th Avenue, Room 346-S
 Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2529 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2529 is respectfully submitted to your committee.

Under current law, individual income tax rates are set at 3.1 percent for income under \$15,000 (\$30,000 for married filing jointly), 5.25 percent for income between \$15,000 and \$30,000 (between \$30,000 and \$60,000 for married filing jointly), and at 5.7 percent for income \$30,000 and over (\$60,000 and over for married filing jointly). HB 2529 would set individual income tax rates at 2.25 percent for income under \$15,000 (under \$30,000 for married filing jointly), 5.0 percent for income between \$15,000 and \$30,000 (between \$30,000 and \$60,000 for married filing jointly), 5.5 percent for income \$30,000 and over (\$60,000 and over for married filing jointly). The lower income tax brackets would go into effect in tax year 2025. The bill also removes outdated language from previous tax years.

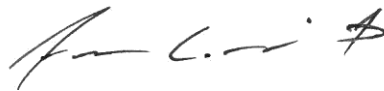
Estimated State Fiscal Effect			
	FY 2024	FY 2025	FY 2026
Expenditures			
State General Fund	--	\$61,700	--
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Expenditures	--	\$61,700	--
Revenues			
State General Fund	--	(\$108,200,000)	(\$361,700,000)
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Revenues	--	(\$108,200,000)	(\$361,700,000)
FTE Positions	--	--	--

The Department of Revenue estimates that HB 2529 would decrease State General Fund revenues by \$108.2 million in FY 2025, \$361.7 million in FY 2026, and \$365.3 million in FY 2027. To formulate these estimates, the Department of Revenue reviewed tax returns from tax year 2021 and created a simulated tax table. The estimate for FY 2025 includes 30.0 percent of tax year 2025 tax liability. The estimate for FY 2026 includes 70.0 percent of tax year 2025 tax liability and 30.0 percent of tax year 2026 tax liability.

The Department indicates that the bill would require \$61,700 from the State General Fund in FY 2025 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 HB 2529 is not reflected in *The FY 2025 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", followed by a stylized flourish or symbol.

Adam C. Proffitt
Director of the Budget

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