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MEMORANDUM

To: Members of the House Committee on Taxation

From: Adam Siebers, Assistant Revisor

Date: March 20, 2023

Subject: House Bill No. 2844

Summary

House Bill No. 2844 modifies income tax rates for individuals, increases the standard deduction and the Kansas personal exemption, increasing the income limit for an income tax subtraction modification for social security income, increasing the extent of property tax exemption for residential property from the statewide school levy, decreasing the privilege tax normal tax rate, abolishing the local ad valorem tax reduction fund and the county and city revenue sharing fund and decreasing the rate of ad valorem tax imposed by a school district.

Sections 1-5, 7, 8, 12 and repealer - Repeals and abolishes the Local Ad Valorem Tax Reduction Fund and the County and City Revenue Sharing Fund and removes corresponding references to such funds found in statutes.

Sections 6 & 13 – Decreases the required 20 mill levy for schools to 18 mills for school years 2024-2025 and 2025-2026.

Section 9 – Increases the exemption for residential property from the statewide school levy for 2024 to \$80,000 and provides for further increases starting in 2025.

Sections 10 & 11 – Decreases the privilege tax. The normal privilege tax on national banking associations would be decreased from 2.25% to 1.63% starting in tax year 2025. The normal privilege tax on trust companies and savings and loan associations would be decreased from 2.25% to 1.61% starting in tax year 2025.

Section 14 – Decreases the rate of individual income tax. For tax years 2024 and thereafter, the rate of tax for married individuals filing a joint return would be:

0% on income up to \$14,000

5.2% on income over \$14,000 but less than \$60,000

5.65% on income over \$60,000

For all other tax filers, the tax would be:

0% on income up to \$7,000

5.2% on income over \$7,000 but less than \$30,000

5.65% on income over \$30,000

Section 15 – Increases the threshold for income limitation for the social security deduction over 3 years starting in tax year 2024. A partial deduction for qualifying income in excess of \$75,000 but less than:

\$125,000 for tax year 2024

\$175,000 for tax year 2025

\$275,000 for tax year 2026

Commencing in tax year 2027, all social security income would be eligible for the deduction.

Section 16 – Increases the standard deduction. The current standard deduction is:

Single individual filing status, \$3,500; married filing status, \$8,000; and head of household filing status, \$6,000.

Commencing in 2024, the standard deduction would be:

Single individual filing status, \$3,605; married filing status, \$8,240; and head of household filing status, \$6,180.

Additionally, for 2 years, and subject to legislative enactment thereafter, the standard deduction would be increased pursuant to a cost-of-living adjustment.

Section 17 – Increases the personal exemption. The current personal exemption is \$2,250. Commencing in 2024, the personal exemption would be \$2,320.

Additionally, for 2 years, and subject to legislative enactment thereafter, the standard deduction would be increased pursuant to a cost-of-living adjustment.