

January 31, 2024

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 548-S
Topeka, KS 66612

Dear Senator Tyson and Members of the Committee:

SUBJECT: Proponent Testimony on SB 377

Thank you for allowing me the opportunity to provide proponent testimony on SB 377. This bill would enact tax policy which would provide tax relief across many of the major tax types. Specifically, this bill would increase the standard deduction, increase the residential property tax exemption for the state's 20 mills tax, fully eliminate the state level sales tax on groceries, diapers and feminine hygiene products, eliminate the state level income tax on social security income, double the existing childcare tax credit, adjust the banking privilege fee to match the recently adjusted corporate tax rate reduction, and add a back to school sales tax holiday in Kansas.

The policy contained in SB 377 will provide meaningful, and sustainable relief for Kansans of all walks of life. While this will be a significant savings for Kansans – approximately \$450mil in FY25 and approximately \$300mil annually in the out years – the reduction in state revenues will not put the state's budget at risk in future years. This will allow us to continue to build on the momentum that been generated, to keep the state on solid fiscal footing, while providing targeted tax relief.

Increasing the standard deduction will provide \$70mil of ongoing relief to the majority of Kansas taxpayers. The most recently available tax year filings show that over 75% of Kansas filers utilized the standard deduction. This bill proposes increasing the standard deduction by 25% - 43% above the current levels, while also restoring parity across filing types. The current standard deduction level for single filers is less than half of that for married filing jointly taxpayers.

SB 377 also eliminates the state's income tax on all social security income, regardless of a taxpayer's total level of income. Current law exempts this tax for taxpayers that earn under \$75,000 of total income, but it creates a cliff for taxpayers that earn even one dollar over this amount by taxing the entirety of their social security benefit. By eliminating the tax, this will put

Kansas in line with the majority of other states, and it will provide over \$120mil in annual savings for Kansas taxpayers.

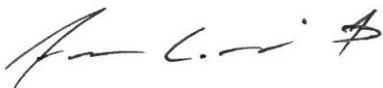
This bill also provides tax relief for Kansans that own residential property valued at more than \$42k. The bill would increase the exemption on the state's 20 mills property tax, by increasing the exemption before which the tax is applied to exclude the first \$100k of the property's value. This policy will save Kansans nearly \$85mil in FY25.

One other key provision of this bill would be to fully eliminate the state level sales tax on groceries, diapers, and feminine hygiene products, effective April 1, 2024. Current law will see a sunset of the state level sales tax on groceries nine months later, but it does not address the state level sales tax on diapers or feminine hygiene products. By pulling forward the effective date of this tax reduction, Kansans can begin enjoying the benefit of this policy now, rather than waiting until next calendar year. This is inline with making an income tax policy effective in the current tax year.

All told, SB 377 would provide approximately \$450mil of tax relief for Kansans in FY25, and will provide ongoing relief of approximately \$300mil for each successive year. This total savings is meaningful for Kansans, and it is sustainable for the state. The state has spent the past several years stabilizing the state's budget, and this policy will allow the state to continue to meet its obligations, without introducing budgetary risk to the out years.

I appreciate this committee's willingness to have a hearing on this important piece of legislation, and I look forward to the opportunity to partner with the legislature on the bill as it moves forward. I would be happy to answer any questions that the committee might have.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt". The signature is stylized and includes a small flourish at the end.

Adam Proffitt
Director of the Budget