

SESSION OF 2023

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2109

As Amended by House Committee on Taxation

Brief*

HB 2109, as amended, would phase out income taxation on all Social Security benefits over four years.

For tax year 2023, the bill would expand the existing income tax exemption for federally taxable Social Security benefits available to taxpayers with \$75,000 or less federal adjusted gross income (FAGI) to phase out taxpayer eligibility for the exemption through a linear transition formula from \$75,000 in FAGI to \$125,000 in FAGI.

For tax year 2024, the phase out of eligibility for the exemption would be extended to \$175,000 in FAGI.

For tax year 2025, the phase out of eligibility for the exemption would be extended to \$275,000 in FAGI.

For tax year 2026 and all years thereafter, all Social Security benefits would be exempt from Kansas income tax.

Background

The bill was introduced by the House Committee on Taxation at the request of Representative Sawyer.

*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>

House Committee on Taxation

In the House Committee hearing, **proponent** testimony was provided by representatives of AARP-Kansas, Kansas Chamber of Commerce, and Tax Simple Center. The proponents generally stated the bill would provide income tax relief for Social Security benefit recipients and eliminate the tax “cliff” currently in Kansas statutes.

Written-only proponent testimony was provided by representatives of Americans for Prosperity-Kansas and Kansas Policy Institute.

The House Committee amended the bill to replace a single linear transition from \$75,000 in FAGI to \$100,000 in FAGI to the phased elimination of the tax on Social Security previously described.

Fiscal Information

According to information provided to the House Committee from the Department of Revenue, the bill as amended, would reduce State General Fund receipts by \$49.4 million in FY 2024, \$63.5 million in FY 2025, \$93.4 million in FY 2026, and \$124.4 million in FY 2027. The fiscal effect of the bill, as amended, is not reflected in *The FY 2024 Governor’s Budget Report*.

However, the fiscal effect of the bill, as introduced, reducing state receipts by a smaller amount, is reflected in *The FY 2024 Governor’s Budget Report*.

Taxation; income tax; Social Security benefits; phase out