

February 1, 2021

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 46 by Senate Committee on Assessment and Taxation

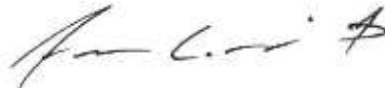
In accordance with KSA 75-3715a, the following fiscal note concerning SB 46 is respectfully submitted to your committee.

Calculations for Kansas income taxes are based on the Kansas adjusted gross income, which is calculated by adding or subtracting certain types of income from the federal adjusted gross income. SB 46 would allow the amounts received by retired individuals under employer-sponsored qualified or nonqualified retirement plans, including plans created by self-employed individuals to be subtracted from income for Kansas income tax purposes beginning in tax year 2021.

The Department of Revenue estimates that SB 46 would decrease State General Fund revenues by \$125.1 million in FY 2022, \$126.3 million in FY 2023, and \$127.6 million in FY 2024. To formulate these estimates, the Department of Revenue reviewed retirement income data from Investment Company Institute from tax year 2018. The Department assumes 58.6 percent of what Kansas residents report as income from IRA's, pensions, and annuities on federal income tax returns would be considered as employer sponsored qualified or nonqualified retirement plans or \$8.1 billion. Taking those retirement plans that are already exempt into consideration, using an effective tax rate of 4.0 percent, and using an assumed 1.0 percent increase each year, the Department estimates the bill would reduce State General Fund revenue by \$125.1 million in FY 2022. The Department of Revenue indicates the bill would have no fiscal effect on the operations

The Kansas Public Employees Retirement System (KPERs) states that SB 46 would have no fiscal effect on its operations or any member benefits. The agency indicates KPERs benefits are already excluded from state income tax. Any fiscal effect associated with SB 46 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Jarod Waltner, KPERs