

**SECOND CONFERENCE COMMITTEE REPORT BRIEF
HOUSE BILL NO. 2284**

As Agreed to January 16, 2024

Brief*

HB 2284 would make various changes to income, sales, and property tax law. Specifically, the bill would:

- Replace individual income tax brackets with a single rate of 5.25 percent;
- Exempt Social Security income from the individual income tax;
- Provide for annual standard deduction increases by a cost-of-living adjustment;
- Provide for an increase to the personal exemption amount and future personal exemption amount increases by a cost-of-living adjustment;
- Reduce privilege tax rates;
- Accelerate the elimination of state sales and compensating use tax on food and food ingredients and the associated disposition of revenue changes; and
- Increase the amount of the appraised value of residential property exempt from the statewide uniform 20 mill school finance levy to \$100,000.

The bill would be in effect upon publication in the *Kansas Register*.

Individual Income Tax Single Rate

The bill would provide, beginning in tax year 2025, for a single individual income tax rate of 5.25 percent to be applied to all Kansas taxable income in excess of \$12,300 for married individuals filing joint returns and \$6,150 for all other individuals. Kansas taxable income less than those amounts would not be taxed.

Social Security Benefit Exemption

Beginning in tax year 2024, the bill would exempt all Social Security benefits from the individual income tax.

*Conference committee report briefs are prepared by the Legislative Research Department and do not express legislative intent. No summary is prepared when the report is an agreement to disagree. Conference committee report briefs may be accessed on the Internet at <http://www.kslegislature.org/kIRD>

Standard Deduction Cost of Living Adjustment

The bill would, beginning in tax year 2024, provide for all Kansas individual income tax standard deduction amounts to be annually increased by the cost-of-living adjustment determined under Section 1(f)(3) of the Internal Revenue Code.

Personal Exemption Amount Increase and Cost of Living Adjustment

The bill would increase the personal exemption amount from \$2,250 to \$2,300 in tax year 2024 and provide for personal exemption amounts to be annually increased by the cost-of-living adjustment determined under Section 1(f)(3) of the Internal Revenue Code, beginning in tax year 2025.

The increase and cost-of-living adjustments would also apply to the additional personal exemption amount for 100 percent disabled veterans.

Financial Institutions Privilege Tax Rate Changes

The bill would reduce the privilege tax rates applied to financial institutions.

For banks, the normal tax rate would be reduced from 2.25 percent to 1.63 percent for tax year 2025 and all years thereafter.

For trust companies and savings and loan associations, the normal tax rate would be reduced from 2.25 percent to 1.61 percent for tax year 2025 and all years thereafter.

[*Note:* The surtaxes on financial institutions would not be affected by the bill.]

Food Sales Tax Changes

The bill would accelerate the elimination of the state sales and compensating use tax rate on food and food ingredients to April 1, 2024.

The bill would raise the percentage of sales tax revenue distributed to the State Highway Fund to 18.0 percent of sales and use tax receipts beginning April 1, 2024.

[*Note:* Under current law, the rate is scheduled to be reduced to 0.0 percent on January 1, 2025, and the proportion of sales and use tax receipts distributed to the State Highway Fund is scheduled to be increased to 18.0 percent beginning January 1, 2025.]

School Finance Levy Residential Exemption

The bill would increase, beginning in tax year 2024, the amount of residential property exempt from the statewide uniform 20 mill school finance levy to \$100,000 of appraised value.

A formula to increase the amount of the exemption based upon the statewide average increase in residential valuation over the preceding ten years would again take effect in 2025.

Conference Committee Action

The Second Conference Committee agreed to remove the contents of HB 2284, as amended by the Senate Committee on Financial Institutions and Insurance, concerning municipal payment of certain insurance premiums, and insert the provisions described above.

Background

HB 2284, as amended by the Senate Committee on Financial Institutions and Insurance, would have amended law requiring certain municipalities to pay for the premiums for the continuation of insurance coverage under COBRA for the surviving spouse and eligible dependent children of a firefighter who dies in the line of duty to include “fire district” in the definition of municipality. These provisions were enacted into law during the 2023 Session via the Conference Committee Report for HB 2093, which included several insurance topics.

During the 2023 Session, the Legislature adopted the Conference Committee Report on SB 169, which included several tax provisions similar to those included in HB 2284. The bill was vetoed by the Governor and the veto was not overridden by the Legislature.

Fiscal Information

The Department of Revenue indicates HB 2284, as agreed to by the second Conference Committee, is estimated to have the following fiscal effects:

	(Dollars in Millions)			
	FY 2024	FY 2025	FY 2026	FY 2027
Individual Income Tax Single Bracket 5.25%	\$	-\$ (91.5)	\$ (306.0)	\$ (309.1)
Social Security Exemption		- (152.1)	(120.7)	(124.4)
Standard Deduction Indexing		- (15.3)	(19.5)	(25.0)
Personal Exemption Increase and Indexing		- (10.0)	(15.5)	(22.9)
Privilege Tax Rate Reductions		- (6.8)	(7.4)	(7.5)
Food Sales Tax to 0.0% Acceleration	(20.8)	(72.6)	-	-
<i>Subtotal – State General Fund</i>	\$ (20.8)	\$ (348.3)	\$ (469.1)	\$ (488.9)
Food Sales Tax to 0.0% Acceleration	\$ (4.2)	\$ (15.0)	\$ -	\$ -
<i>Subtotal – State Highway Fund</i>	\$ (4.2)	\$ (15.0)	\$ -	\$ -
Res. Property Tax Exempt. to \$100,000	\$	-\$ (84.8)	\$ (89.5)	\$ (94.3)
<i>Subtotal – State School District Finance Fund</i>	\$	-\$ (84.8)	\$ (89.5)	\$ (94.3)
Total All Funds	\$	(\$ 25.0)	\$ (558.6)	\$ (583.2)

The fiscal effects associated with the Social Security income taxation exemption, standard deduction increases, food sales tax rate changes, privilege tax rate changes, and school finance levy residential exemption increases are partially reflected in *The FY 2025 Governor’s Budget Report*.

Taxation; income tax; brackets; privilege tax; rates; Social Security benefits; standard deduction; personal exemption; sales tax; food sales tax; State Highway Fund; property tax; school finance; exemption amount

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