

Taxation—Income Tax, Food Sales Tax, Property Tax; HB 2284

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

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

The bill will take effect upon publication in the *Kansas Register*.

Individual Income Tax Single Rate

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

Social Security Benefit Exemption

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

Standard Deduction Cost-of-Living Adjustment

The bill, beginning in tax year 2024, provides 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 increases the personal exemption amount from \$2,250 to \$2,300 in tax year 2024 and provides 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 also apply to the additional personal exemption amount for 100 percent disabled veterans.

Financial Institutions Privilege Tax Rate Changes

The bill reduces the privilege tax rates applied to financial institutions.

For banks, the normal tax rate is 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 is reduced from 2.25 percent to 1.61 percent for tax year 2025 and all years thereafter.

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

Food Sales Tax Changes

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

The bill raises 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 previous law, the sales tax rate was 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 was scheduled to be increased to 18.0 percent beginning January 1, 2025.]

School Finance Levy Residential Exemption

The bill increases, 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 takes effect in 2025.