

SESSION OF 2025

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2318**

As Amended by House Committee of the Whole

**Brief\***

HB 2318, as amended, would provide for reduction in state income and privilege tax rates contingent upon the balance of the Budget Stabilization Fund and growth in the State General Fund (SGF) receipts from income and privilege taxes in excess of the FY 2024 amount, adjusted for inflation.

The bill would require the Director of the Budget to annually determine, in consultation with the Director of Legislative Research, if the preceding fiscal year's total SGF tax receipts exceed the 2024 amount, as adjusted for inflation.

The inflation adjustment would be determined by subtracting the FY 2024 SGF income and privilege tax revenues multiplied by the 12-month average of the consumer price index for the preceding fiscal year in excess of the 12-month average of the consumer price index for FY 2024.

The determination would be required to be made by August 15 each year, beginning in 2025. If such receipts are in excess of the inflation-adjusted 2024 amount, the Director of the Budget would be required to certify the excess amount to the Secretary of Revenue.

The Secretary of Revenue, upon receipt of such certification, would be required to calculate and publish reductions to income and privilege tax rates as provided by the bill.

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\*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 <https://klrd.gov/>

The Secretary of Revenue would be required to provide for reductions in tax rates to the nearest 0.01 percent resulting in expected reduced revenue approximately equal to the amount certified by the Director of the Budget.

Individual income tax rates would be reduced first, with both tax rates being reduced proportionally until the lower bracket reaches 4.0 percent, at which time only upper bracket rates would be reduced until the upper bracket rate reaches 4.0 percent.

Upon individual rates reaching 4.0 percent, rate reductions to the surtax rate for corporations and the normal tax rates for financial institutions would commence in corresponding amounts. Such reductions would continue until the combined normal tax and surtax for corporations reaches 4.0 percent, the combined normal tax and surtax for banks reaches 2.6 percent, and the combined normal tax and surtax for trust companies and savings and loan associations reaches 2.62 percent.

The bill would provide that the certification by the Director of the Budget and corresponding rate reductions would not occur in years in which the amount of moneys in the Budget Stabilization Fund is less than 20 percent of the prior fiscal year's SGF tax revenues.

In all cases, the reduced rates would remain in effect until further reduced by the provisions of the bill.

## **Background**

The bill was introduced by the House Committee on Taxation at the request of a representative of the Kansas Chamber of Commerce.

### ***House Committee on Taxation***

In the House Committee hearing, **proponent** testimony was provided by representatives of the Kansas Chamber of Commerce, Americans for Prosperity–Kansas, Americans for Tax Reform, and Kansas Bankers Association. The proponents generally stated the bill would reduce tax rates by curbing the growth in state receipts, thereby making the state a more attractive place for businesses.

Written-only proponent testimony was provided by representatives of the Kansas Agribusiness Retailers Association, Kansas Grain and Feed Association, and Renew Kansas Biofuels Association; Kansas Policy Institute; and National Federation of Independent Business.

**Opponent** testimony was provided by representatives of Kansas Action for Children and Kansas Association of School Boards and by an economics professor. The opponents generally stated the bill would jeopardize the financial security of the state and place a greater reliance on sales and property taxes to finance public services in the state.

Written-only opponent testimony was provided by representatives of the Kansas National Education Association and Kansas PTA.

No other testimony was provided.

The House Committee amended the bill to include rate reductions for the financial institutions privilege tax.

### ***House Committee of the Whole***

The House Committee of the Whole amended the bill to:

- Set the base year revenue equal to FY 2024 SGF income and privilege tax receipts;

- Set the rate at which rates would no longer be reduced; and
- Provide for rate reductions to be contingent on amount of moneys in the Budget Stabilization Fund.

### **Fiscal Information**

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Department of Revenue indicates enactment of the bill is not likely to trigger a rate reduction in 2025 but could reduce SGF receipts by unknown amounts in future years.

Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2026 Governor's Budget Report*.

Taxation; income tax; privilege tax; tax rates; rate reduction