

STATE OF KANSAS
HOUSE OF REPRESENTATIVES

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PAT PROCTOR
41ST DISTRICT
LEAVENWORTH AND FORT LEAVENWORTH

January 28, 2022

Re: Support for House Bill 2467

Dear Mr. Chairman,

Thank you for the opportunity to testify before your committee in support of House Bill 2467.

This bill exempts the first \$30,000 of military pay for military servicemembers, regardless of service or component (active, reserve, or National Guard). If two married spouses file jointly and both receive military pay, they can each claim up to \$30,000, for a maximum of \$60,000 in exempted pay.

I sympathize with the difficulty the Division of the Budget had in generating a fiscal note on this bill, as it's difficult to ascertain which people paying income tax in the State of Kansas are in the military—active, Guard, or reserve. But, based on my experience serving 25 years on active duty in the U.S. Army, I believe the estimate the Division of Budget provided, \$10.3 to \$10.4 million, overestimates the cost.

First, very few active duty personnel actually pay taxes in the State of Kansas. Because other states, such as Texas and Alaska, have no income tax, most active duty servicemembers change their residency to one of these states when stationed in those locations. When these servicemembers and their families come to Kansas, they typically maintain their residency in those states to avoid paying Kansas income tax. It is practically impossible to identify how many active duty servicemembers do have their residency in Kansas. But, for purposes of illustration, according to the most recent census, 7,000 to 8,000 people—active duty servicemembers, retirees, contractors, and their families—live on Fort Leavenworth, but only around 500 of these people are registered to vote in the state. This strongly suggests that virtually none of the servicemembers on Fort Leavenworth are actually Kansas residents, paying taxes in this state. You will find similar numbers at Fort Riley and McConnell Air Force Base.

This is one of my reasons for filing this bill. I want more active duty servicemembers who serve in Kansas to become Kansas residents! It will draw them closer to the communities outside the gate of their installations. But, more importantly, it will encourage more of them to come back after they separate, to build their lives and their families here in Kansas.

Though it is not a goal of this bill, getting more active duty servicemembers to become Kansas residents will actually result in a net gain of revenues for the state. If these service members become Kansas residents and their pay exceeds the \$30,000 amount exempted by this bill, that amount will be taxed according to their income bracket. This is money Kansas is not getting now, a net gain in revenues for the state.

In reality, the cost of this bill will come from exempting National Guard pay. While it will be an expense, I believe it will be significant less than the \$10.3 million estimated by the Division of the Budget. There are approximately 7,500 servicemembers in the Kansas National Guard. Even if every one of them made \$30,000 per year, at the 3.4% tax rate, the state is only receiving \$7.7 million from taxes on their pay. But the vast majority of these servicemembers make significant less than \$30,000 a year in military pay, as they only serve one weekend a month and two weeks a year unless activated for full-time state or federal service. The actual number is probably much closer to \$1 to \$2 million.

On the other hand, active duty military installations bring significant benefits to our state. According to NCSL, as of 2009, these impacts included:

- \$7.7 billion per year in gross state product (2.3% of our state's GDP)
- 169,560 jobs supported directly or indirectly (9.4% of total employment)
- \$393.6 million per year in city/county, regional and state tax revenue
- 41,152 servicemembers serving in our state (excludes family members)

We want to do everything we can to be a military-friendly state, to keep this installations here, contributing to our economy. But we could be reaping even more benefit from these installations. We could be enticing more of these 41,152 servicemembers and their family members to stay in our state after they separate from the military, growing their lives and growing our economy.

Thank you for your time and attention. I look forward to answering your questions.



Pat Proctor
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