

MINUTES

HOUSE COMMITTEE ON TAXATION

June 17, 2024
Room 112-N—Statehouse

Committee Members Present

Representative Adam Smith, Chairperson
Representative Brian Bergkamp, Vice-chairperson
Representative Tom Sawyer, Ranking Minority Member
Representative John Alcala
Representative Francis Awerkamp
Representative Ron Bryce
Representative David Buehler
Representative Nathan Butler
Representative Ken Corbet
Representative John Eplee
Representative Shannon Francis
Representative Christina Haswood
Representative Henry Helgersen
Representative Nick Hoheisel
Representative Cyndi Howerton
Representative Tom Kessler
Representative Dennis Miller
Representative Clarke Sanders
Representative Stephanie Sawyer Clayton
Representative Jerry Stogsdill
Representative Mike Thompson
Representative Carl Turner
Representative Barb Wasinger

Members Absent

All members were present

Staff Present

Edward Penner, Kansas Legislative Research Department
Chardae Caine, Kansas Legislative Research Department
Adam Siebers, Office of Revisor of Statutes
Amelia Kovar-Donohue, Office of Revisor of Statutes
Charles Reimer, Office of Revisor of Statutes
Lea Gerard, Committee Assistant

Conferees

Dave Trabert, Kansas Policy Institute
Eric Stafford, Kansas Chamber
Jay Hall, Kansas Association of Counties
Representative Neelly, 42nd District

Monday, June 17 Afternoon Session

Welcome

Chairperson Smith called the meeting to order at 1:00 p.m. and welcomed the members of the House Committee on Taxation and the Senate Committee on Assessment and Taxation, staff, conferees, and guests. Chairperson Smith noted the objective of the meeting was to provide an informational hearing on the proposed tax bill that had been discussed, noting that a bill number was not yet available because the 2024 Special Session had not started.

Informational Hearing: Proposed Tax Plan Draft

Adam Siebers, Office of Revisor of Statutes, provided an overview of the proposed tax bill for the 2024 Special Session. He stated the proposed bill would modify income tax rates for individuals, eliminate the income threshold to qualify for a subtraction modification for Social Security income, increase the Kansas standard deduction and the Kansas personal exemption, increase the tax credit amount for household and dependent care expenses, decrease the normal privilege tax rates, increase the extent of exemption for residential property from the statewide school levy, exclude Internal Revenue Code Section 1031 exchange transactions as indicators of fair market value, provide for certain transfers to the state school district finance fund, and abolish the local ad valorem tax reduction fund and the county and city revenue sharing fund ([Attachment 1](#)) ([Attachment 2](#)).

Mr. Siebers stood for questions from the Committee.

In response to a question, Chairperson Smith stated the objective of the meeting was to provide an informational briefing. He stated no action would be taken and the Committee would not provide a recommendation. He further stated the bill would be a Senate bill and would be introduced in the Senate the next day. Chairperson Smith noted the provisions of the proposed tax plans were derived from various pieces of legislation that passed one or both chambers during the 2024 session. Other than adjusting some numbers and dates, he stated the content had been thoroughly vetted.

In response to a question, Mr. Siebers provided information on the property tax valuation exemption. He noted that currently there is a rise or a potential rise in what was \$40,000 subject to an increase due to inflation that was removed, and in its place is \$75,000 for the residential exemption from the Statewide school levy, which will be a hard number going forward.

Edward Penner, Kansas Legislative Research Department, provided the fiscal overview of the proposed tax plan in comparison with SB 37 and in the context of the other tax bills that were passed during the 2024 Session. He noted that one table represents the comparison of the proposed bill with SB 37 and the other table represents the proposed bill and the individual lines for the three other tax bills that were enacted during the 2024 Session. The combined state fiscal impact begins at \$471.6 million in FY 2025 and then goes to \$378.9 million in FY 2026 due to the retroactivity of a number of the provisions to the beginning of tax year 2024. The true annualized cost in the years after FY 2025 increases to \$383.1 million by FY 2029. Mr. Penner noted the two largest items of the fiscal impact are the individual income tax restructuring and the Social Security exemption ([Attachment 3](#)).

Mr. Penner stood for questions from the Committee.

Proponent Testimony

Dave Trabert, Kansas Policy Institute, testified as a proponent for tax relief and stated he is hopeful the bill will go into law, but he noted that it is much less tax relief than is needed and is much less than is affordable. He further stated that with more than \$4.0 billion in total reserves, Kansas can easily afford tax relief. He noted the Legislature must provide more income tax relief for the following reasons:

- Kansas is in its fifth-straight decade of economic stagnation, falling further behind national average increases in job growth, population, and economic activity (GDP);
- There would be 415,000 more jobs in Kansas today if employment growth kept up with the national average of 88.0 percent;
- States with lower tax burdens have better economic growth; and
- Kansas lost almost 198,000 residents since 2000 due to domestic migration.

Mr. Trabert stated Kansas needs a constitutional amendment to restrain property tax increases, stating local government officials were dishonest about why property tax obligations were growing faster than inflation. Mr. Trabert further stated a valuation limit would help taxpayers, noting there may be a tax increase but it would not be a double-digit increase ([Attachment 4](#)).

Mr. Trabert stood for questions from the Committee.

Eric Stafford, Kansas Chamber, testified in support of tax relief for Kansas. He stated Kansas has fallen even further behind other states regarding a cut to income taxes. He also stated the proposed tax relief is better than nothing and is a step in the right direction. Mr. Stafford noted the Kansas Chamber likes the single rate and it would be very competitive for the State of Kansas if the state can get to 4.0–4.5 percent. Kansas' current top rate is 5.7 percent ([Attachment 5](#)).

Mr. Stafford stood for question from the Committee.

Mark Tomb, Kansas Association of Realtors, provided written-only proponent testimony ([Attachment 6](#)).

Neutral Testimony

Jay Hall, Kansas Association of Counties (KAC), provided neutral testimony. He noted the KAC supports retaining the local ad valorem tax reduction fund. He also stated KAC does not take a position on increasing residential tax exemption to \$75,000 for school funding. He further stated KAC requests that whatever changes are made are passed quickly and signed into law so county clerks and other local officials can account for the changes ([Attachment 7](#)).

Mr. Hall stood for questions from the Committee.

Opponent Testimony

Representative Neelly testified as an opponent to the comprehensive tax plan, noting that further tax relief should be included in the plan, especially other items that were passed by the Legislature during the 2024 Session but vetoed. No written testimony was presented.

Representative Neelly stood for questions from the Committee.

Adjourn

Chairperson Smith stated the Senate Committee on Assessment and Taxation would reconvene at 3:00 p.m. for an informational hearing regarding the Constitutional Amendment to limit the increase in taxable assessed valuations.

Chairperson Smith adjourned the informational hearing at 2:45 p.m.

Prepared by Lea Gerard

Edited by Edward Penner

Approved by the Committee on:

January 10, 2025

(Date)