



February 14, 2023

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Kansas Action for Children
Verbal Testimony in Opposition to HB 2061
House Committee on Taxation

Chairperson Smith and members of the Committee:

Thank you for the opportunity to provide testimony in opposition to HB 2061. Kansas Action for Children is a nonprofit advocacy organization working to make Kansas a place where every child has the opportunity to grow up healthy and thrive. We work across the political spectrum to improve the lives of Kansas children through bipartisan advocacy, partnership, and information-sharing on key issues, including early learning and education, health, and economic security for families.

The state has seen increased revenue in recent years, with the state budget including millions of dollars in surplus revenue. The temporary, higher receipts have led to several tax cut proposals, including HB 2061, which would make the tax code favor high-income Kansans even more.

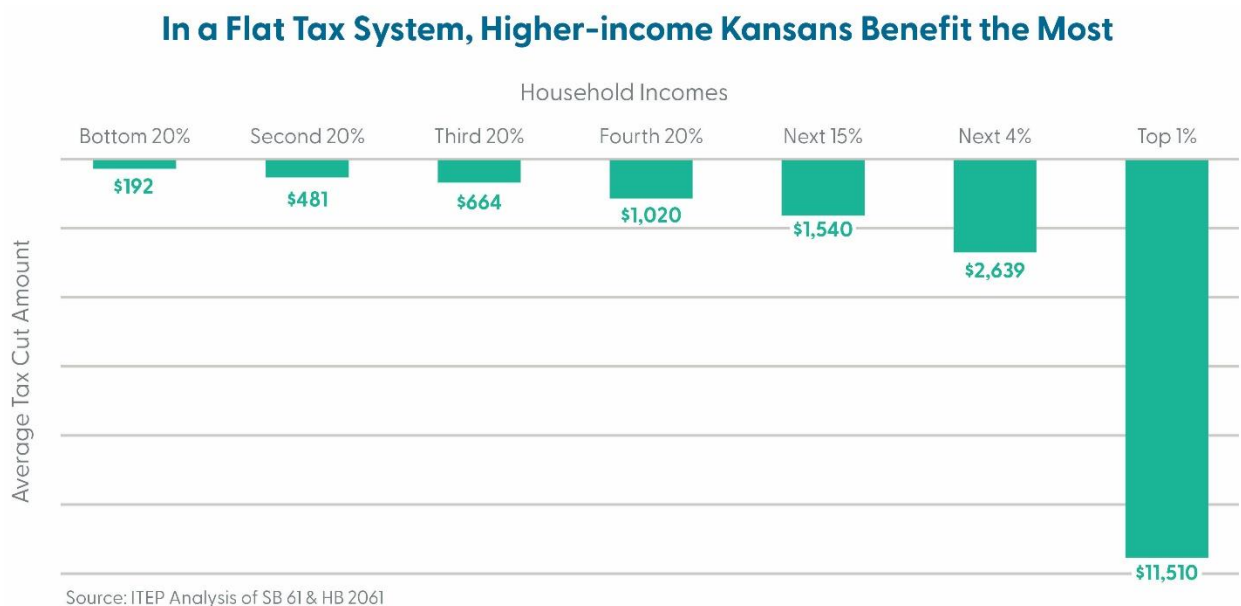
Even with the current graduated income tax structure, the total effective tax rate for the highest-income Kansans is substantially lower than for other income groups.

- While the lowest 20 percent Kansas income range residents have an effective total tax rate (combining income, property, and sales taxes) of 10.7 percent, the top one percent has an effective tax rate of just 7.4 percent.
- A graduated income tax structure works to offset the regressive nature of sales and property taxes. For example, the lowest 20 percent of Kansans by income spend 7 percent of their household earnings on sales taxes compared to just 1 percent for the top 1 percent income range.
- Similarly, the lowest income Kansans have more than twice the effective property tax rate (4.1 percent) than the top one percent (1.8 percent).

The proposed 5 percent flat tax proposal in HB 2061 has an exemption for the first \$15,000 (single filers) and \$30,000 (married filing jointly filers). While all Kansas taxpayers would see an

income tax cut under the proposed flat tax structure, it is the highest-income Kansans who would benefit the most.

The top 1 percent would receive an average tax cut of nearly \$11,500 under the new structure, while lower-income Kansans would receive less than \$200. In total, about half of all the tax savings would apply to the top 20 percent of Kansas taxpayers.



This proposal has a **\$1.5 billion price tag**, while child care, health care, and special education continue to remain underfunded. As Kansas knows all too well, big income tax changes are difficult to reverse. The proposal's significant revenue-reducing cost creates an environment where other tax increases (property, sales, and excise) would be implemented to make up for the declining income tax contributions. This could very well cost low- and middle-income Kansans far more than the tax cuts they would receive from this flat tax proposal.

Kansas Action for Children opposes a flat tax system. Lawmakers must champion tax reform that strengthens Kansas' ability to invest in the future, especially with the looming possibility of a recession. A flat tax will limit the state's ability to provide crucial programs and services. It equates to yet another large tax break for Kansans with the most financial resources, and the giant price tag jeopardizes investments in schools, roads, and public health and safety that build a strong Kansas economy. Thank you for the opportunity to share information with you today. Feel free to reach me if you have any questions at emily@kac.org.