

February 20, 2023

The Honorable Caryn Tyson, Chairperson  
Senate Committee on Assessment and Taxation  
300 SW 10th Avenue, Room 548-S  
Topeka, Kansas 66612

Dear Senator Tyson:

**SUBJECT:** Fiscal Note for SB 110 by Senator Blasi

In accordance with KSA 75-3715a, the following fiscal note concerning SB 110 is respectfully submitted to your committee.

Under current law, taxpayers filing as single, head of household, married filing separate, or married filing jointly are allowed to subtract the full amount of Social Security benefits from federal adjusted gross income for Kansas income tax purposes, if the taxpayer has income of \$75,000 or less. SB 110 would remove the income limitation allowing all Social Security benefits to be exempt from Kansas income taxes beginning in tax year 2023.

Estimated State Fiscal Effect				
	FY 2023 SGF	FY 2023 All Funds	FY 2024 SGF	FY 2024 All Funds
Revenue	--	--	(\$147,600,000)	(\$147,600,000)
Expenditure	--	--	\$22,180	\$22,180
FTE Pos.	--	--	--	--

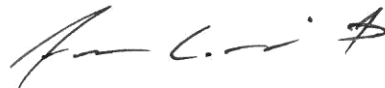
The Department of Revenue estimates that SB 110 would decrease State General Fund revenues by \$147.6 million in FY 2024, \$117.2 million in FY 2025, and \$120.7 million in FY 2026. To formulate these estimates, the Department reviewed data on Social Security benefits from tax year 2020. The Department adjusted the amount of Social Security benefits to account for cost-of-living adjustments that have occurred since tax year 2020 and used an average growth rate of 2.0 percent for future years. The Department created a simulated tax table for all taxpayers that receive Social Security benefits that shows that State General Fund revenues would decrease

by \$112.8 million in tax year 2023 as a result of this bill. The individual income tax estimate for FY 2024 includes 100.0 percent of tax year 2023 tax liability and 30.0 percent of tax year 2024 tax liability. The individual income tax estimate for FY 2025 includes 70.0 percent of tax year 2024 tax liability and 30.0 percent of tax year 2025 tax liability. The Department estimates that the number of tax returns grows approximately 1.0 percent each year

The Department indicates that the bill would require \$22,180 from the State General Fund in FY 2024 to implement the bill and to modify the automated tax system. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department's current budget may be required.

The fiscal effect associated with SB 110 is partially reflected in *The FY 2024 Governor's Budget Report*. In *The FY 2024 Governor's Budget Report*, the Governor recommends smoothing out the social security cliff, so no Kansan making under \$100,000 pays full taxes on Social Security income, which is estimated to reduce State General Fund revenue by \$20.5 million in FY 2024, \$16.0 million in FY 2025, and \$16.1 million in FY 2026.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt  
Director of the Budget

cc: Lynn Robinson, Department of Revenue