

Tax Bill Passes the House and Senate / House Overrides Veto, but Senate falls short Back to the drawing board?

The House of Representatives and Senate passed Sub HB 2178 which made several changes to our current tax code. Specifically, the bill eliminated the income tax exemptions for some Kansas businesses and adjusted individual income tax rates. It is important to note that even with those adjustments Kansans will still be paying income taxes at a lower rate than they were in 2012. Additionally, the bill would have restored full deductibility to medical expenses, which are disallowed under present law. The Department of Revenue estimates that the plan would have generated \$590 million in additional revenue in Fiscal Year 2018 and \$454 million in Fiscal Year 2019.

The bill would have helped the State accomplish the following:

- Moved the State closer to maintaining a permanent and healthy ending balance;
- Helped with the creation of a future rainy day fund;
- Made it easier for the State make the actuarial required contribution for KPERS; and
- Aided in the repayment of funds from the pooled money investment board.

It is important to remember the bill did not preclude the Legislature from making budget cuts when examining agency budgets during the next several months.

Individual Income Tax Brackets, Married Filing Jointly

Taxable income	Tax Year 1992-2012	Current Law Tax year 2016	Sub for HB 2178 Tax year 2017
\$0-\$12,500	3.50%	0%	0%
\$12,501-\$30,000	3.50%	2.70%	2.70%
\$30,001-\$60,000	6.25%	4.60%	5.25%
\$60,001-\$100,000	6.45%	4.60%	5.25%
\$100,001+	6.45%	4.60%	5.45%

This revenue reform bill kept a portion of the income tax cuts in place. It closed the LLC loophole that has allowed certain businesses to avoid income taxes. And, it restored the medical exemption so our seniors and those with major medical expenses aren't forced to pay more. All the while raising enough revenues to protect our schools and core functions.

The Legislature has worked hard to reduce the size and scope of government to balance our budget. The legislature has swept ending balances, including hundreds of millions of KDOT funds as well as consolidated and closed numerous state agencies. Budget committees have been looking for unnecessary expenditures and have found places where budgets could be cut. Since 2014, tax receipts have grown by only 0.3 percent, well below the rate of inflation. Breaking it down further, entitlement expenditures (human services caseloads) increased nearly \$144 million while all other categories decreased by \$127 million. The entitlement programs (Kancare, Medicaid, TANF, and foster care) continue to increase, with little or no opportunity for the legislature to affect that trend, although KanCare was initiated several years ago, in attempt to bend that cost curve downward. In 2010 Kansas had 41,586 state employees, in 2017 we have 36,423 . . . a reduction of more than 5,000.

*It's time to restore funding so that we are once again able to
fully serve Kansans in a fiscally responsible manner.*