

HB 2061 Testimony – On Individual Income Tax Only
House Taxation Committee
Topeka, KS 66612

HB 2061 - Providing an income tax rate of 5% for individuals and corporations

Chairman Smith and Committee Members:

We are local tax simplification researcher and economics professor with 15 publications. We support tax simplification for Kansas and do not support HB 2061 because of following 5 reasons:

(1) This tax bill can reduce tax revenue from individuals by \$372 million (2024), \$1.26 billion (2025) and \$1.34 billion (2026). **Where can you find the extra tax revenues from hundred million to billion dollars? Do you plan to cut Kansas budget by 10%?** We resolve one problem and should not create another problem.

www.kslegislature.org/li/b2023_24/measures/documents/fisc_note_hb2061_00_0000.pdf

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(2) For high income individuals such as \$1 million (ATI), income tax can be reduced by (\$7,292.50) less than existing tax system. There is tax rate jump from 0% to 5%.

(3) Still having 2 brackets and 2 statuses: 1st bracket: Not over \$15,000/\$30,000: Tax rate is 0%
 and 32 (3x2x8) formulas. 2-nd bracket: Over \$15,000/\$30,000: Tax rate is 5%

(4) When \$15,000 and 30,000 are deducted for all residents, it is much easy to add into standard deductions simply and to calculate taxes without the tax rate jump from 0% to 5%.

(5) Our existing personal tax system is very complex with 3 major problems (next page). This bill does not focus these existing tax problems. We need a simple, fair, and long-term solution.

One social security tax cliff problem can be resolved with one simple linear formula (8 bills in 2019-2023). **Our personal tax system problems can also be resolved with one simple/fair linear formula and one existing formula with neutral or less tax revenue change.** Then the above problems can be resolved (A). We can use simple two brackets, which are similar to HB 2061. Their comparison table is:

Tax Calculation System Comparison

Tax Calculation Systems	Tax Brackets	Withholding Formulas	Withholding Tables	Tax Table	Tax Revenue Change	Savings or Values	For Tax Reform
Existing 3.1-5.7%	3 (to 8)	48	22 pages	8 pages	No change	No change	Complex
HB 2061: 0%/5%	2	32	0 or Option	Option	(\$x billion)	\$x million	Simple
3%-4.785%-5.7%	2	2	0 or Option	Option	Neutral	\$xx million	Simple

Flat tax rates (such as 5%) are too simple, rough, and unreasonable to cover different incomes and basic living expenses. When Kansas reduces tax revenue, existing 3.1%-5.7% (multiple brackets) may be reduced to such as 2%-4%-5%. **Two formulas with two brackets can be a long-term solution.** One simple/fair linear formula can be used to resolve our related tax problems (B). We can have 15 benefits to save \$90 million (A: Table 6). Your questions are welcome. Let us work together for Kansas. Thank you.

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Kansas Bill No. _____ Tax Simplification

Summary: Kansas income tax system has 3 (up to 8) tax brackets (**Problem #1: various bracket #**), 48 (3×2×8) withholding formulas (**Problem #2: too many formulas**), 22-page Withholding Tables (**Problem #3: too many pages and too complex**), and 8-page Tax Table. One fair/simple linear formula and existing formula can be used to match and simplify existing tax system fairly and efficiently with 2 brackets, 96% (1-2/48) simplification, and 15 benefits to save \$90 million (A: Table 6).

A: www.scitcentral.com/documents/be5648da4795008d9893b752b9226c8f.pdf

B: https://taxsimplecenter.net/uploads/8/3/3/9/83395216/wtaxproblem_solutionks29.pdf

AN ACT

To enact one new section relating to income taxation for all Kansas residents.

1. Income tax shall be computed in accordance with the following tax schedules:

~~2. (1) Married individuals filing joint returns.~~

3. (G) For tax year ~~2018~~ 2024, and all tax years thereafter:

4. If the taxable income is: _____ The tax is:

~~5. Not over \$30,000 3.1% of Kansas taxable income~~

~~6. Over \$30,000 but not over \$60,000 \$930 plus 5.25% of excess over \$30,000~~

~~7. Over \$60,000 \$2,505 plus 5.7% of excess over \$60,000~~

~~8. (2) All other individuals.~~

~~9. (G) For tax year 2018, and all tax years thereafter: _____~~

10. If the taxable income is:

11. Not over \$15,000 3.1% of Kansas taxable income

12. Over \$15,000 but not over \$30,000 \$465 plus 5.25% of excess over \$15,000

13. Over \$30,000 \$1,252.5 plus 5.7% of excess over \$30,000

14.

15. If annual taxable income is: _____ The tax rate and tax are:

16. Not over \$50,000 × S (ATI+S+C + B) × TI

17. Over \$50,000 × S (T - (D×S÷ATI)) × TI

18.

19. ATI is annual taxable income and S is status number (2 for married individuals filing joint return

20. or 1 for all other individuals). B is bottom tax rate 3%. T is top tax rate 5.7%.

21. C is 2,801,120 from 50,000 to divide (÷) the 1-st tax rate range difference (0.04785-0.03) for

22. neutral tax revenue change (\$3 million) or 2,967,359 from 50,000÷(0.04785-0.031) (\$5 million).

23. D is 457.5 from 50,000 to multiply (×) the 2-nd tax rate range difference (0.057-0.04785). Tax rate

24. ranges are 3%-4.785%-5.7% for not over and over \$50,000×S.

25. ATI=TI×F. TI is taxable income. F is filing period (on 1, 2, 4, 12, 24, 26, 52 or 365 basis).

$$(\$1,252.5 \text{ plus } 5.7\% \text{ of excess over } \$30,000 = 1,252.5 + 0.057(ATI - 30,000) = (0.057 - 457.5 \div ATI) \times ATI$$

Examples:

	Tax rate and tax are:
1. ATI=\$38,500 (S=1):	$(ATI+S+C+0.03) \times TI = 0.0437445 \times 38,500 = 1,684.16$
2. ATI=\$120,000 (S=2):	$(0.057 - D \times S \div ATI) \times TI = 0.049375 \times 120,000 = 5,925.00$
3. Biweekly TI is \$1,481 (S=1):	$(1,481 \times 26 \div 1 \div 2,801,120 + 0.03) \times 1,481 = 0.0437466 \times 1,481 = 64.79$
4. Monthly TI is \$10,000 (S=2):	$(0.057 - 457.5 \times 2 \div (10,000 \times 12)) \times 10,000 = 0.049375 \times 10,000 = 493.75$

For more information, contact us at johnlee@taxsimplecenter.net or 913-710-0957