

HB 2572 Proponent Testimony
House Taxation Committee
Kansas State Capitol
Topeka, KS 66612

Chairman Smith and Taxation Committee Members:

I support HB 2572 for Kansas to match and replace existing 3 tax brackets, 48 withholding formulas (3×2×8), and 22-page Withholding Tables for withholding taxes and 6 taxable income ranges, 6 tax formulas and 8-page Tax Table for tax returns with one simple slope formula and one existing formula in HB 2572 to save millions of dollars.

KS Tax Calculation Systems (1933-2023) and Simplification (HB 2572):

We have studied the above tax systems. KS has struggled with different tax brackets (2-8), taxable income ranges (6-16) and withholding formulas (32-128) during the past 90 years. There are also multi-page Withholding Tables and Tax Table. They are complex. HB 2572 provides one simple slope formulas and one existing formula as a tax calculation system.

Benefit and Value with HB 2572:

HB 2572 shows almost neutral tax revenue (Fiscal Note: ~\$3 million gain). The one slope (linear) formula is used for not over \$50,000. The same tax formula is converted to tax rate and tax format for over \$50,000. It has 15 benefits for KS businesses, DOR, and taxpayers to save \$90 million. Some of them are:

1. Kansas can use and keep the 2 formulas and brackets in HB 2572 without the struggles with different tax brackets (2-8) and withholding formulas (32-128) in the future.
2. KS businesses can use the 2 formulas and standard deductions and credits to replace the existing 48 formulas and 22-page Withholding Tables for withholding taxes to save \$36.4 million (if \$1(cost)×26×1.4 million).
3. The two sub tax systems for withholding taxes and tax returns can be combined together simply.
4. A checking tool is provided to check and reduce calculation mistakes.
5. Lawmakers can adjust only 3 tax rates (at bottom, \$50,000 and top such as 3%-4.785%-5.7%) to replace the existing 3 factors with many options* (*2021 Research Paper) for future tax reforms and projections simply.
..... * www.scitcentral.com/documents/be5648da4795008d9893b752b9226c8f.pdf (Table 6)
15. KS DOR can use the 2 formulas instead of the 6-16 formulas to simplify tax calculation, fiscal note, analysis, and projection. Then more time can be used to inspect tax returns. DOR may estimate its saving.

One slope (linear) formula can also be used to resolve other tax problems such as Social Security tax cliff problem with unfair \$1,000 deduction difference by \$1 AGI difference. Comparisons of the KS tax systems and HB 2572 are:

Tax Calculation System	Tax Brackets	Withholding Formulas	Withholding Tables	Tax Table	Tax Revenue Change	Saving for Businesses
Existing 3.1%-5.7%	3 (up to 8)	48 (up to 128)	22 pages	8 pages	No change	No
HB 2572 (3%-5.7%)	2	2	0	Option	~No change	\$36.4 million

If you have any questions, let me know. Let us work together for Kansas. Thank you.

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Tax Problem and Solution with One Slope Formula for Kansas

Summary: One simple slope formula can be used to resolve KS social security (SS) tax cliff, income tax, homestead property tax refund, and corporate tax problems. Existing 3 (up to 8) income tax brackets, 48 withholding formulas ($2 \times 3 \times 8$), 8-page Tax Table, and 22-page Withholding Tables can be matched and simplified with 15 benefits to save \$90 million (Table 6*) for KS.

* Research paper: www.scitcentral.com/documents/be5648da4795008d9893b752b9226c8f.pdf
<https://taxsimplecenter.net/statetaxsimplification.html>



1. Multi-Bracket Personal Income Tax Systems and Solution

KS Tax Calculation System:

3 tax brackets at 3.1%, 5.25% and 5.7% (up to 8 brackets)

48 withholding formulas ($2 \times 3 \times 8$)

22-page Withholding Tables and 8-page Tax Table

(At \$50,000, tax rate is 4.785%)

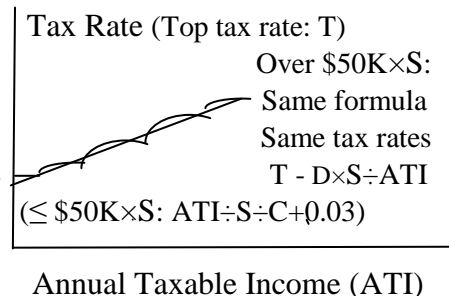
Long-Term Solution: Two Formulas

2 formulas in 2 brackets

3.1% is reduced to 3%

(Neutral tax revenue)

(S=1 or 2)



2. Flat Rates (KS Social Security Tax Cliff Problem and Solution)

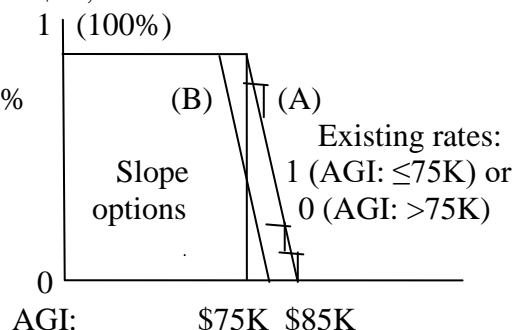
Kansas has SS tax cliff problem for SS benefit (SSB) rate from 1 (100%) to 0 immediately (into Federal Adjusted Gross Income (AGI) subtraction) for AGI not over or over \$75,000.

When two AGI values are \$74,999 and \$75,001, **their SS tax difference is \$1,000** for AGI \$75K and SS \$20K at tax rate ~5% ($20,000 \times 0.05$), **which is unfair**. Its tax revenue change (Fiscal Note from DOR) and status effect are suggested.

Long-Term Solution: One formula

(1) $(1 - (AGI - 75,000) \div 10,000) \times SSB$ (HB 2727 in 2022)

(2) HB 2727 has been approved by Taxation Committee



3. Property Tax Credit/Refund Rate

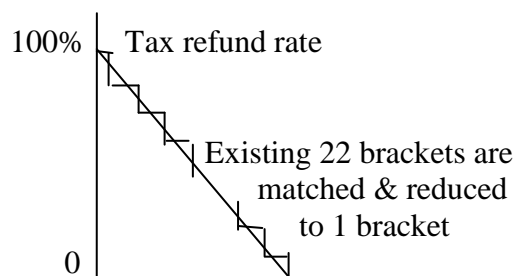
Form K-40H has 23 brackets for Homestead Property Tax Refund.

K-40H: For Line 10, % rates are: 100%, 96%, 92%, ... (17 brackets) ..., 10%, 5% or 0% ($> \$35,700$) in 2019 or 0% ($> \$35,001$) in 2018

One slope (linear) method is used to match the tax refund rates between 100% and 0 gradually **with one bracket**. Then the 22 brackets are simplified to 1 (**95% reduction**).

Homestead property tax refund rate simplification

Line 10	0 - \$36,000	Over \$36,000
Tax Credit Rate	$1 - (L10 \div 36,000)$	0
(Neutral tax revenue change)		



4. KS Corporation Tax Modification

Existing 4%-5.5%-7% is suggested to 3%-5.5% 7% with neutral tax revenue. 3% is more competitive.

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