Testimony to Oppose SB 539
Senate Assessment and Taxation Committee
Topeka, KS 66612

SB 539 - Support social security benefit reform and oppose income tax reform

Chairwoman Tyson and Committee Members:

We are local tax researcher and economics professor with 15 research publications. We support SB 539 to resolve our social security (SS) tax cliff problem and oppose flat individual income tax rate.

Kansas has serious SS tax cliff problem for many years. For such as $1 AGI difference around $75,000, $1,300 tax difference can be caused, which is totally unfair. The serious problem can be resolved by one simple linear formula, which has been presented in 2020 (A). We support SB 539 to resolve this problem.
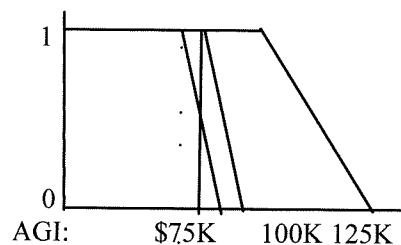
One simple linear formula:
$1 - (AGI - 100,000*) \div 25,000 = 5 - AGI \div 25,000$
* It can be adjusted between $70,000-100,000, which depends on tax revenue change.
Tax status number:
A tax status # (S) may be added with 2 for Married Filing Jointly or 1 for other individuals. Then the formula is modified into:
$1 - (AGI \div S - 100,000*) \div 25,000$

We oppose the flat individual income tax rates in SB 539 because of following reasons:
(1) Tax revenue may be reduced by $100-300 million/year, which depends on its Fiscal Notes. Where can we find the shortage? www.kslegislature.org/li/b2023_24/measures/documents/fisc_note_sb169_00_0000.pdf
(2) For low-middle taxable incomes such as $50,000, tax can be increased by $457.5 with SB 539; and
(3) This bill may not simplify our existing complex tax system with 48 withholding formulas, 22-page Withholding Tables, multiple taxable income ranges, and 8-page Tax Table.

Another one simple linear formula, which is similar to SS linear formula, and one existing formula for two tax rate ranges of 3%-4.785%-5.7% may be used to simplify our existing complex tax system by 96%. Tax revenue has no change (B). The existing 48 withholding formulas, 22-page Withholding Tables, multiple tax brackets, and 8-page Tax Table may be eliminated.

For corporate tax, one simple linear formula is suggested with two tax rate ranges 3.5%-5%-6.5%. Both MO and OK have single tax rate 4%. AR has 1%-6.5% with 6 tax brackets, which are too complex. A flat tax rate is too simple, which can not cover different taxable incomes and small and large companies fairly. Multiple tax brackets are too complex. A nice business tax plan is to have a relatively low bottom tax rate, which can encourage more people to start businesses. Small businesses hire many employees to meet social and economical needs. Then middle and large businesses are more stable and pay relatively higher tax rates. Two brackets and formulas for corporate tax calculations are suggested. Kansas needs a competitive corporate tax system.

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A. www.kslegislature.org/li_2020/b2019_20/committees/ctte_h_tax_1/documents/testimony/20200212_01.pdf
B. https://taxsimplecenter.net/uploads/8/3/3/9/83395216/article_for_ks_tax_problems_and_solution2.pdf