



January 29, 2020

John Wilson, President
Kansas Action for Children
Verbal testimony in opposition to House Bill 2005
House Taxation Committee

Chairman Johnson and Members of the Committee:

Thank you for the opportunity to provide testimony in opposition to allowing an individual to itemize deductions in Kansas despite not itemizing on their federal return. Kansas Action for Children, which includes the Kansas Center for Economic Growth project, is a nonprofit, nonpartisan organization. Our vision is to make Kansas the best state to raise -- and be -- a child, and our organization shapes health, education, and economic policies that improve the lives of Kansas children and families. We support budget and tax policy that prioritizes investing in children and families, particularly among those with low incomes.

The fiscal note, created last year, indicates that if the bill had been implemented last year, there would be \$50 million less going into the state general fund. New fiscal analysis from the Institute of Taxation and Economic Policy (ITEP) shows that in FY 2020, there will be increased cost. Because Kansas itemized deductions (medical, mortgage interest, and property taxes) increased from 75 percent of federal itemized deductions to 100 percent in FY2020, the fiscal note would increase by another \$30 million for a total of nearly \$80 million. Without passing other proposals, including KPERs reamortization, projections show FY 2023 in the red. Your committee should be considering additional revenue raisers, not reductions.

If the committee is compelled to altering the state individual income tax, we urge you to consider increasing the standard deduction as an alternative to HB 2005. Again, this measure would be simpler for taxpayers, tax preparers, and the Kansas Department of Revenue.

Kansas Action for Children encourages the committee to examine the bill to determine which taxpayers would most benefit. Research from ITEP shows that roughly one-in-10 (13 percent) taxpayers in the bottom 80 percent of income would benefit from the bill. In contrast, more than four-in-10 taxpayers (42 percent) in the top 20 percent of income would benefit from the bill. This proposal would not drastically reduce the tax liability of low- and moderate-income taxpayers. Its benefit would overwhelmingly go to the highest earners in Kansas.

The legislation is risky because we do not know the full effect on the Kansas Department of Revenue, as it will have to assume responsibilities in areas previously covered by the federal government, such as fraud monitoring. The fiscal note indicates that roughly \$600,000 a year would be needed to help the department implement the bill, monitoring for fraud and abuse by developing forms, hiring staff, and changing computer systems. We will be simultaneously spending

money while losing revenue. This will undercut our state budget's fiscal recovery while undermining our ability to invest in proven programs that help children and their families.

Lawmakers should reject calls for additional tax changes, including HB 2005, and instead concentrate on the state's lengthy list of needs as Kansas recovers from years of failed tax policy. Thank you for the opportunity to voice our opposition to this bill, and please do not hesitate to contact me at john@kac.org if you have any questions.

Sincerely,



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 President
 Kansas Action for Children
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Kansas Legislative Research Department

January 27, 2020

State General Fund Profile FY 2018 - FY 2024
 (Dollars in Millions)

	Actual FY 2018	Actual FY 2019	Gov. Rec. FY 2020	Gov. Rec. FY 2021	Estimated FY 2022	Estimated FY 2023	Estimated FY 2024
Beginning Balance	\$ 108.5	\$ 701.7	\$ 1,105.1	\$ 532.5	\$ 627.0	\$ 666.8	\$ 669.6
Revenue							
Consensus Revenue Estimates (November 7, 2019)	\$ 7,302.3	\$ 7,308.4	\$ 7,052.1	\$ 7,075.5	\$ 7,862.2	\$ 8,091.2	\$ 8,328.4
Prior Year Released Encumbrances	-	7.8	-	-	-	-	-
Governor's adjustments							
Delay CCRSF SCCHF & cap JCF	-	-	-	(54.0)	124.6	127.1	129.6
Saving from paying bonds early	-	-	-	24.5	24.5	24.5	-
Transfer from the State Highway Fund	-	-	-	158.7	79.4	-	-
Tax proposal	-	-	-	(5.8)	(5.9)	(6.1)	(6.2)
Other State Transfers	-	-	(309.0)	154.1	-	-	-
Total Available Revenue	\$ 7,410.8	\$ 8,137.9	\$ 8,357.6	\$ 8,485.5	\$ 8,711.8	\$ 8,903.5	\$ 9,121.4
Expenditures							
Expenditures	\$ 8,049.1	\$ 7,032.8	\$ 7,749.0	\$ 7,825.1	\$ 7,858.5	\$ 8,045.0	\$ 8,233.9
Human Services Caseload (November 6, 2019)	-	-	(15.3)	63.5	80.0	85.0	90.0
School Finance Consensus	-	-	(32.0)	117.5	111.8	149.7	87.2
Reappropriations	-	-	108.7	(108.7)	-	-	-
Governor's adjustments							
Pay IMPACT bond early	-	-	58.9	-	-	-	-
OITS Data Center & Equipment	-	-	14.9	9.9	-	-	-
Regents and Universities	-	-	-	28.3	-	-	-
Corrections salaries and expansion	-	-	-	7.7	5.0	5.0	5.0
Medicaid Expansion	-	-	-	17.5	17.5	-	-
KPERS Layering payments	-	-	-	(25.8)	(25.8)	(25.8)	(25.8)
State Employee pay	-	-	-	11.3	-	-	-
KPERS Reamortization	-	-	-	(131.0)	(2.0)	(25.0)	(5.0)
All other	-	-	(58.8)	43.2	-	-	-
Total Adjusted Expenditures	\$ 6,649.1	\$ 7,032.8	\$ 7,825.1	\$ 7,858.5	\$ 8,045.0	\$ 8,233.9	\$ 8,385.3
Ending Balance	\$ 761.7	\$ 1,105.1	\$ 532.5	\$ 627.0	\$ 666.8	\$ 669.6	\$ 736.1
Ending balance as a percentage of expenditures	11.5%	15.7%	6.8%	8.0%	8.3%	8.1%	8.8%
Receipts above / (below) expenditures	\$ 653.2	\$ 343.4	\$ (173.0)	\$ (53.8)	\$ 45.7	\$ 8.0	\$ 72.7

Note: Individual items in bold are KLRD estimates only and do not include any consensus or Governor's estimates.

Transfers included in consensus revenue line in FY 2021 and beyond do not include any transfer from the State Highway Fund to the State General Fund. Transfers in FY 2022 and beyond include \$54.0 million to the LAVTRF, \$78.1 million to the CCRSF, \$33.5 million due to the cap on the transfer to the Job Creation Fund, and \$13.0 million to the SCCHF from the State General Fund.