

“ THE PECK PERSPECTIVE ”

(From the Capitol)

February 5, 2024

Work in the Senate during the fourth week of the session continued to outpace most Januarys. We debated and passed another Conference Committee Report (SB 15) and standing committees, like the Agriculture and Natural Resources Committee I chair, spent time reviewing agency budgets.

After reviewing an agency’s budget, a committee will then make recommendations to the Ways and Means Committee (WAMC). Some legislators have voiced frustration that the WAMC can accept the committee’s recommendation, change it, or totally reject it. Although I understand the possibility exists, I believe the WAMC respects the process, appreciates the recommendations, and gives them, especially if they include budget cuts, full consideration.

Good for Business and the Disabled (SB 15): As vice-chair of the Senate tax committee, I once again had a seat at the table as an agreement was hammered out between the Senate and House on legislation. The bill, SB 15, extends a tax credit program to qualified vendors who employ individuals with disabilities. The extension was a part of SB 8 last session, but the governor vetoed the bill after the Legislature adjourned; leaving no opportunity to consider a veto override.

The tax credits were first implemented in 2019 for qualified vendors, profit and non-profit businesses and non-profit organizations, but the 2019 legislation contained a five-year sunset. A sunset is frequently put on a program so the legislature is forced to review it to see if it’s working as anticipated.

SB 15 continues the credit and sets a cap of \$5 million over the five-year period from 2024 through 2028 (\$5 million over the entire period, not per year). The cap for each succeeding five-year period will be \$8 million. The focus of the legislation is to incentivize employers to employ persons with disabilities who are capable of working, but maybe not at the same level or speed as non-disabled. The 2019 legislation has shown that some in the disability community are able to be trained and earn enough income to be removed from some government programs. This not only saves taxpayer money, but it provides a sense of self-worth to the disabled. SB 15 passed the Senate 34-0 and the House 117-1.

The Tax Plan HB 2284 (again): It’s apparent from calls, comments, articles, and emails I’ve received or read that some still don’t understand how the income tax provisions of HB 2284, the tax bill passed by the legislature and vetoed by the governor, would greatly benefit Kansas workers, especially low-income wage-earners.

So, let's look at a real-life family of four with an income of \$30,000, comparing current law, the governor's proposal (SB 377), and HB 2284.

CURRENT LAW:

- \$8,000 is exempt due to the standard deduction.
- \$9,000 is exempt due to the \$2,250 personal exemption per person.
- Adding the above figures together is \$17,000. Their taxable income is \$13,000.
- That \$13,000 is taxed at 3.1% = \$403 in state income tax.

GOVERNOR'S PLAN:

- The standard deduction sees a one-time increase to \$10,000.
- The personal exemption remains \$2,250 per person, so we're still at \$9,000.
- The above figures totals \$19,000, lowering their taxable income to \$11,000.
- The remaining \$11,000 is taxed at 3.1% = \$341 in state income tax, **saving \$62.**

COMPROMISE TAX PLAN (HB 2284)

- The standard deduction is increased at the inflation rate in 2024. Assuming 4% inflation, raises the standard deduction to \$8,320.
- The personal exemption is increased to \$2,300 per person or \$9,200. In 2025 and beyond it is increased at the rate of inflation.
- The two above figures added together is \$17,520. The taxable income is \$12,480.
- However, rather than a tax rate of 3.1%, the first \$12,300 is exempt from taxation. The \$180 balance is taxed at 5.25% = \$9.45 in state income tax, **saving \$393.55**

This is a clear example of the tax savings for Kansans in the lower part of the economic ladder. The math clearly demonstrates the compromise plan, HB 2284, provides far greater tax relief than the governor's plan and current law.

Of course, the tax savings are different for different families with a different income, but the result of HB 2284 is a tax cut for every Kansas family. Also, remember the sales and property tax cuts in HB 2284, which provide additional tax savings for Kansas families. We should know this week if a sufficient number of legislators will allow Kansans to keep more of their hard-earned money and vote to override Governor Kelly's veto.

Until next time, may the blessings of God be yours.

Virgil Peck
State Senator