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MEMORANDUM

To: Members of the Committee on Taxation and Committee on Assessment and
Taxation

From: Adam Siebers, Assistant Revisor

Date: June 17, 2024

Subject: Explainer of Senate Bill No. 1

Summary

Senate Bill No. 1 of the 2024 Special Session modifies income tax rates for individuals, eliminates the income limit to qualify for a subtraction modification for social security income, increases the Kansas standard deduction and the Kansas personal exemption, increases the tax credit amount for household and dependent care expenses, decreases the normal privilege tax rate, increases the extent of exemption for residential property from the statewide school levy, excludes internal revenue code section 1031 exchange transactions as indicators of fair market value, provides for certain transfers to the state school district finance fund, and abolishes the local ad valorem tax reduction fund and the county and city revenue sharing fund.

Sections 1 and 2 – On July 1, 2024, all funds and liabilities remaining in the local ad valorem tax reduction fund and the county and city revenue sharing fund are transferred to the state general fund. Both funds are thereby abolished.

Section 3 – Provides that for any increase above \$42,049 for the residential exemption from the school levy, such amount of revenue that would have been generated from the decrease in property taxes will be transferred from the state general fund to the school district finance fund of the department of education.

Sections 4 - 8, 14 & Repealer – The local ad valorem tax reduction fund and the county and city revenue sharing fund are repealed effective July 1, 2024. References in corresponding statutory sections are removed.

Section 9 – Increases the residential exemption from the school levy to \$75,000 and removes further increases currently provided in law.

Section 10 – Provides that internal revenue code 1031 exchange transactions would be excluded as indicators of fair market value when determining property value.

Section 11 – Provides that county clerks will have until July 1 for 2024 (rather than June 15) to provide the assessed valuations to taxing districts for purposes of the taxing districts in preparing budgets.

Section 12 – Decreases the normal privilege tax on national banking associations and state banks from 2.25% to 1.94% for tax year 2024 and thereafter.

Section 13 – Decreases the normal privilege tax on trust companies and savings and loan associations from 2.25% to 1.93% for tax year 2024 and thereafter.

Section 15 – Extends from June 15 to July 1 for 2024, the deadline for county clerks to calculate the revenue neutral rate for taxing subdivisions.

Section 16 – Provides for income tax rates for married filers at the rate of 5.2% on taxable income of \$46,000 and less and a tax rate of 5.58% on income in excess of \$46,000. For all other tax filers – the taxable income threshold is \$23,000 with the same tax rates.

Section 17 – The existing household and dependent care tax credit is increased from 25% to 50% for tax year 2024 and thereafter.

Section 18 – Provides for full subtraction modification for social security income for tax year 2024 and thereafter.

Section 19 – Increases the Kansas standard deduction for single individual filing status, \$3,500 to \$3,605; married filing status, \$8,000 to \$8,240; and head of household filing status, \$6,000 to \$6,180 for tax year 2024 and thereafter.

Section 20 – Provides for the Kansas personal exemption in the case of married individuals filing a joint return, a personal exemption of \$18,320; in the case of all other individuals with a filing status of single, head of household or married filing separate, a personal exemption of \$9,160; and in addition a personal exemption of \$2,320 for each dependent for tax year 2024 and thereafter.