INSTITUTE ON TAXATION AND ECONOMIC POLICY

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**Contact:**
Anne Singer: 202-299-1066 X27
Lauren Beatty 785-232-0550

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# Kansas Governor Tax Proposal:

## Wealthy Kansans Pay Less, Poor and Middle-Income Kansans Pay More

Kansas Governor Sam Brownback unveiled his long anticipated tax plan last week. Sweeping changes to reduce the state's reliance on its progressive personal income tax are at the core of the proposal. The plan cuts income tax rates, eliminates a variety of income tax deductions and credits, and makes permanent a temporary sales tax rate hike. An ITEP analysis of the plan finds that the bottom 80 percent of the state's income distribution would collectively see a tax hike under the Brownback plan, while the best off 20 percent of Kansans would see substantial tax cuts. For most middle- and low-income Kansans, the tax break from the income tax rate cuts would be completely offset by the loss of income tax credits and itemized deductions, as well as a higher sales tax rate.

Under Governor Brownback's plan:

- The poorest 20 percent of Kansas taxpayers would pay 2.2 percent more of their income in taxes each year, or an average increase of $242.

- The middle 20 percent of Kansas taxpayers would pay 0.3 percent more of their income in taxes each year, or an average increase of $146.

- Upper-income families, by contrast, reap the greatest benefit with the richest one percent of Kansans, those with an average income of over a million dollars, saving an average of $16,933 a year.

- While the Governor's plan would reduce Kansas taxes overall, it would actually *increase* federal income taxes on Kansans substantially. Because state income taxes can be written off on federal tax returns by those Kansans itemizing their federal income tax returns, Kansas itemizers would have less state income tax to write off and would see their federal income taxes increase by about $76 million overall, under this proposal. This means, for example, that the best off one percent of Kansans would see a federal tax hike averaging $3,708, which would reduce their overall tax cut from $16,933 to $13,225.

Governor Brownback's tax reform proposal would actually make the Kansas tax structure more unfair and ensure that low and middle-income families pay more, while dramatically decreasing state taxes owed by the wealthiest Kansans.

**Analysis of Governor Brownback's Tax Proposals**
*Kansas Residents, 2011 Income Levels*

| 2011 Income Group | Lowest 20% | Second 20% | Middle 20% | Fourth 20% | Next 15% | Next 4% | Top 1% |
|---|---|---|---|---|---|---|---|
| Income Group | Less Than $20,000 | $20,000 – $35,000 | $35,000 – $57,000 | $57,000 – $90,000 | $90,000 – $165,000 | $165,000 – $400,000 | $400,000 – Or More |
| Average Income in Group | $11,000 | $28,000 | $46,000 | $73,000 | $116,000 | $237,000 | $1,054,000 |
| | | | | | | | |
| Tax as % of Income | +2.2% | +0.9% | +0.3% | +0.0% | –0.2% | –0.9% | –1.6% |
| Average Tax Change | $242 | $247 | $146 | $14 | -$244 | -$2,054 | -$16,933 |

Source: Institute on Taxation and Economic Policy

**Overview of Brownback's Tax Plan**

*Personal Income Tax Rates*

- New top rate of 4.9% (vs. 6.45%) on taxable income higher than $15,000/$30,000
- Lowers rate on taxable income below $15,000 ($30,000 married couples) from 3.5 to 3%
- Eliminates current top income bracket (Taxable income of $30,000 and above for single and head of household and $60,000 for married couples)

*Personal Income Tax Base*

- Eliminates Earned Income Tax Credit, Food Sales Tax Rebate, Child and Dependent Care credit and more than a dozen more credits
- Eliminates itemized deductions and handful of other deductions
- Doubles standard deduction for Head of Household filers from $4,500 to $9,000

*Targeted Small Business Income Tax Break*

- Exempts all non-wage business income

*Increased Reliance on the Sales Tax*

- Holds sales tax at 6.3% (making permanent a temporary 0.6% increase).

*Eliminates Property Tax Credit for Renters*

- Eliminates Homestead Refund for renters

*Restrictive Tax and Expenditure Limits*

- Would limit spending growth to no more than 2 percent a year and return any revenues raised beyond that amount to Kansans in the form of additional tax rate reductions.