

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 this week. Sweeping changes to reduce the state's reliance on its progressive personal income tax are at the core of the proposal. The plan would enact a roughly revenue neutral "tax swap" by cutting income tax rates, eliminating a variety of income tax deductions and credits, and making 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 1.9 percent more of their income in taxes each year, or an average increase of \$209.
- 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.
- This plan 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 on their federal income tax returns, Kansas itemizers would actually have less state income taxes to write off and would see their federal income taxes increase by about \$76 million overall, under this proposal.

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 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	+1.9%	+0.9%	+0.3%	+0.0%	-0.2%	-0.9%	-1.6%
Average Tax Change	\$ 209	\$ 246	\$ 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 small business income

Increased Reliance on the Sales Tax

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

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.