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SENATE CHAMBER**

Representing
Atchison, Brown, Doniphan, Jackson and
Nemaha Counties, and portions of Marshal and
Pottawatomie Counties

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Testimony on Senate Bill 174

Senate Committee on Assessment and Taxation

March 12, 2019

Madam Chairman and members of the Committee:

Thank you for holding hearings and for the opportunity to provide testimony on Senate Bill 174.

As the committee is well aware, this legislation will exempt Social Security benefits from Kansas income tax. This proposal was offered by me, as an amendment to SB22, the decoupling bill, January 26, during floor debate.

Many members of the senate from both parties, while not supporting the amendment, expressed their desire to see this proposal in bill form. The deadline for individual bill drafts had passed, so I requested the Senate Fed and State Committee and they agreed to allow the introduction!

Research staff provided information showing a fiscal cost for this policy change. I am sure they can provide the committee with the same. Information from the KPERS director with some out-of-state data shows that approximately 15% of our KPERS retirees leave Kansas. They take about 10% of KPERS payments with them. Data from the director shows similar numbers for KP&F.

I believe from this we can assume an economic benefit is counter to the revenue hit. And while we don't know the economic impact of SB 174, we do know that the economic impact of those absentee retirees is GONE! Kansas gets **zero** economic benefit from departing KPERS and KP&F retirees and **zero** from our investment in their retirement!

Also GONE – Kansas gets **zero** economic benefit from other retirees that leave for a better tax environment and health of their retirement nest egg.

Our goal as a state should be to:

1. **C**ompete with the ZERO income tax states.
2. **O**pen the door to Kansas retirement living by creating a tax appeal to those in other states.
3. **D**o not drive them away with our tax policy.
4. **E**ncourage all Kansas retirees to remain and use their retirement nest egg to help better the Kansas economy with positive growth.

This is **CODE** for growth – the economic plus, achieved by driving more housing, dining, health care, etc. which all retirees need.

We have heard a lot about the out migration of business due to tax policy, but let's not neglect the same when it comes to individuals, specifically those who are retiring or are retired. When they leave the state, many jobs go with them. Let's take the step to eliminate the income tax on retirees receiving Social Security benefits and stop the hemorrhaging by passing SB 174.

Additionally, Taxing Social Security benefits as a revenue source is plain and simple – BAD policy. These beneficiaries have paid their taxes only to be taxed again.

What is the reasoning behind taxing Social Security benefits while we exempt KPERS and KP&F recipients?

Finally, if you want to continue to keep the four congressional seats and the representation Kansas has in Washington, we need to address the continued decline in population growth of our state. SB 174 is a positive step towards reversing the decline.

Thank you.

Note – Should the committee work this bill, I would propose an amendment to reinstate the food sales tax deduction.