

Support HB 2467

I write in support of HB 2467. I am representing the Kansas Council of Chapters of the Military Officers Association of America. Our Council is in favor of passage of this bill which will reduce Kansas taxation of military pay for currently serving members of the military.

Kansas' tax laws already subtract *100% of military retired pay* from income taxed by the state. Former military service members, most with more than 20 years of active service, greatly appreciate this policy. This tax policy motivates retiring members to remain in or relocate to Kansas when they first transition to civilian status following retirement from active duty. Most return to the civilian workforce and increase the income tax base for the state. By remaining in or establishing a Kansas domicile, retired military members also contribute to increases in property tax, sales tax, and use tax receipts.

HB 2467 will increase support to full-time active duty Kansans and part-time members of the Reserve and National Guard. ***The tax policy preference to the advantage of the individual service member in HB 2467 will incentivize young and highly trained individuals to remain in Kansas and remain in military service.*** The reduction in income tax withheld from each paycheck will result in greater consumption which will be taxed by the sales tax and use tax. The Fiscal Note prepared by the Budget Director does not score this factor which reduces the negative impact to overall state tax receipts.

The Fiscal Note for HB 2467 calls out the difficulty in scoring the change in income tax receipts if the bill becomes law. I agree that modeling tax law fiscal impacts is far from simple and I commend the Director of the Budget and his staff for their work. However, I suggest to this Honorable Committee and the Legislature that ***the Fiscal Note for this bill likely overstates the fiscal impact.*** I take no issue with the modeling comments referring to the 10,266 National Guard and Reserve members in Kansas. I would expect over 90% of such individuals have a Kansas domicile and therefore file and remit Kansas income taxes. However, some reserve component members serving in Kansas reserve military units have domicile in another state and pay taxes in their domicile state. Such members are not subject to double taxation in two states under provisions of federal law.

This protection from income taxation by two different states is explained by the Office of the United States Navy Judge Advocate General and I quote:

SCRA Protections for Active Duty Members: Pursuant to the Servicemembers Civil Relief Act (SCRA), active duty service

members are able to maintain legal residency in one state while physically stationed in another state. Thus, the SCRA protects service members from having their military income taxed by both their state of legal residence and the state where they are stationed.

I refer attorneys to 50 U.S. Code Section 4001 (a) and (b) for the relevant statutory text of the Servicemembers Civil Relief Act. (I am not an attorney and I disclaim that any of my testimony is an attempt to practice law.)

Based on this federal tax law, a large majority of the active duty military stationed at McConnell AFB, Fort Riley, Fort Leavenworth, KU and K-State ROTC and the active duty recruiting stations across our state remain domiciled in their home state and are subject to state taxation there and not in Kansas. I would estimate that 90% or more of the active duty military personnel now stationed in Kansas are already not subject to Kansas income tax on their entire military basic pay.

Therefore the inclusion of all 21,734 active duty service members base pay in the calculation of the income tax base of Kansas is inconsistent with the provisions of 50 U.S.C. section 4001 and the state tax filing of active service members domiciled elsewhere under that federal statute. I claim the Fiscal Note overstates the tax base reduction subject to Kansas income tax by about 60%. ***I would suggest the reduction to the State General Fund is closer to \$4 million per year than the \$10.4 million per year as modeled by the Budget Director.***

On behalf of those citizens in uniform now serving, I ask the committee to support HB 2467 and forward the bill to the House Floor with a recommendation for passage. In the dangerous world we live in, ***there is no better time to increase support for our highly trained and loyal troops*** that protect our lives and our Constitution.

Respectfully submitted,

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