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Proposal to raise income tax rates costs $100 million over 3 years

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Yes, that headline is correct. A tax bill touted as revenue-neutral by its sponsors would actually result in a *net loss* to the state of more than $100 million over three years. It would also give Kansas the 8th-highest marginal income tax rate in the nation. Only California, Hawaii, Minnesota, New Jersey, New York, Oregon, and Vermont would have a higher marginal income tax rate.

Representatives Dennis Highberger, David Benson, Stephanie Clayton, Jim Gartner, Eileen Horn, Susan Ruiz and Rui Xu, all Democrats, propose the income tax hike so they can eliminate the sales tax on food, food ingredients, and feminine hygiene products.

House Bill 2491, would raise tax rates from 5.7% to 7.7% for married couples with income between $500,000 and $1 million…then to 8.7% over $1 Million; for single taxpayers, the rate increases apply to income between $250,000 to $500,000 and then over $500,000.

The fiscal note on the bill hasn't been published but the Kansas Budget Office says the bill would increase revenue in 2021 by almost $45 million and then *decrease* tax receipts by over $75 million in 2022, and over $78 million in 2023 — a net *loss* to the state of over $100 million in three years.

Ruiz said it was her understanding that the bill would be revenue-neutral, but was unclear about what rates should be pending the fiscal note.

Highberger said in an email that early analysis of this bill did indicate that it would not be revenue-neutral and, along with Rep. Horn introduced a separate bill, HB2617, which would add another bracket with a top marginal rate of 9.7% for married income over $2 million and single income over $1 million. That bill was introduced on Feb. 11, and neither bill has yet to be scheduled for a committee hearing.

All of the sponsors were contacted, and Highberger was the only one to respond to questions about the chance that having much higher tax rates would accelerate out-migration by Kansans and discourage new business creation.

"I have seen no information showing that tax rates affect outmigration levels in Kansas," Highberger said. "In fact, the numbers from the Brownback years show a negative correlation." The article in Governing magazine that Highberger makes no such claim; it merely shows a table of out-migration for all states.

However, a CATO Institute study shows high tax states are losing population at an alarming rate.

"New York lost 218,937 households to other states in 2016, gained 142,722 households from other states, and thus had a net loss of 76,215. The other states with the largest net migration losses were Illinois (41,965 households), New Jersey (25,941), California (25,913), Pennsylvania (19,516), Massachusetts (14,549), Ohio (13,254), Connecticut (12,254), Maryland (12,068), and Michigan (10,325)," the study said. "The largest net inflows were to Florida (95,072), Washington state (30,480), North Carolina (25,601), Colorado (24,672), Arizona (24,211), Oregon (21,729), Texas (19,414), South Carolina (18,519), Georgia (17,798), and Nevada (14,236)."

Of those states seeing large in-migration, only Oregon sits in the top 8 for high marginal tax rates.

Kansas in that same timeframe lost 7,869 households. Note, those numbers are not individuals, but complete households who picked up and moved.

In fact, Kansas, according to U.S. Census data, — in this chart by Business Insider — was of the top 10 states losing population between 2016 and 2017 with more than 13,000 residents leaving the state for greener pastures.

Kansas Policy Institute's 2019 Green Book publication shows residents have been fleeing high-tax states for many years. Between 2000 and 2018, states with an income tax had a net loss of 5.8 million residents moving to states that don't have an income tax. Also, the ten states with the highest combined state and local tax burden had a net loss of 7.8 million residents but the ten states with the lowest combined burden had a net gain of 3.1 million residents.