A Review of 2025 Kansas Tax Policies and the Work Ahead

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The 2025 Kansas legislative session was unlike any other with a shortened timeframe and an enhanced Republican supermajority that flexed their power. Despite Kansans urging lawmakers to tackle property taxes during the 2024 election cycle, the two chambers found it difficult to reach consensus on several tax policies.

What Passed

SB 269		
Flat Tax for Individuals and Corporations	Projected to Cause State Budget Shortfalls in Out Years	Governor's Veto Overridden to Become Law

After years of trying to achieve a flat tax in Kansas, the Legislature finally got it over the finish line – sort of. Having found it difficult to implement a straightforward flat tax, lawmakers took a more nuanced approach to achieving their goal. Modeled after North Carolina legislation, SB 269 provides for the future reduction in personal and corporate income tax rates setting income tax collections that exceed FY 2024 revenues plus the rate of inflation as a trigger for the flat tax rate.

This buydown approach conceals the fiscal impact of moving to a single-rate structure, which enabled the bill to move through the process with surprisingly little pushback. However, thanks to concerns raised by KAC and others, the bill does at least require that the state's Budget Stabilization Fund (BSF) contains an amount equal to at least 15% of the previous fiscal year's State General Fund (SGF) tax receipts.

This approach to achieving a flat tax means that it will be many years before the full impact is realized. In the SGF Profile for FY 2024-FY 2029, the BSF Fund balance is projected to be approximately $1.75 billion in FY 2025. This would be equal to 17.26% of FY 2024 SGF receipts. However, according to the latest CRE report, Kansas will not exceed FY 2024 income tax receipts until FY 2026, meaning that is the earliest we would see an income tax rate reduction.

When the rate reductions begin, they will start with a formulaic reduction in individual income tax rates based on how much excess revenue is collected. Once a flat rate of 4% is achieved, corporate rate reductions will begin under the same process until the corporate income tax rate is also equal to 4%. Not only is this not the tax relief that constituents demanded from lawmakers, it also sets our state on a path to fiscal instability.

As income tax rates decline, maintaining sustainable revenue growth will become increasingly difficult. Indeed, North Carolina is now expecting SGF reductions beginning in FY 2026 despite rapid population and business growth that Kansas is not currently replicating. With the public unlikely to accept additional sales or property taxes, this poses a serious dilemma for Kansas as our SGF profile already projects the state to be hundreds of millions of dollars in the red beginning in FY 2028.

Kansas Action for Children

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HB 2231

Single Sales Factor (SSF) Apportionment, along with Other Provisions	Mostly Benefits Large Corporations and Manufacturers	Signed by the Govenor to Become Law

Given that any reduction in the corporate income tax rate via SB 269 is years away, the Legislature offered large corporations a more concrete win in HB 2231. This bill changes the structure of corporate income taxes in Kansas by allowing multi-state operators to apportion their income based only on sales within the state, which is also known as "single sales factor apportionment." This change would apply to the financial institution privilege tax, as well as the corporate income tax.

This change, which excludes property and payroll from the apportionment formula, will take effect in tax year 2027. **It offers the greatest benefit to the most profitable corporations that have a large presence outside of Kansas.** Typically, the greatest beneficiaries of SSF apportionment are manufacturers, as they tend to export most of what they produce while having a large physical presence in the state that will no longer be part of their income apportionment.

Admittedly, some businesses may be adversely impacted by this change, but for those businesses, there is a built-in income tax rate reduction. The amount of this reduction will be determined based on the amount that FY 2028 corporate income tax receipts exceed those of FY 2029, rounded down to the nearest 0.1%. The exact timing and amount of the fiscal impact of the corporate tax changes is uncertain, though they are expected to reduce SGF receipts beginning in FY 2028. Currently, Kansas taxes the first $50,000 of corporate income at 3.5% and levies an additional 3% surtax on income above that level.

The other notable change in this bill centers on the state's property "tax freeze" program for seniors. Currently, the program counts half of Social Security income (SSI) for the purpose of determining program eligibility. This bill changes that so that no SSI is counted toward eligibility, essentially using Kansas Adjusted Gross Income for the determination. This change is expected to cost $4.6 million, $6.3 million, and $8.1 million in FY 2026, FY 2027, and FY 2028, respectively.

The bill also made several smaller changes to the state tax code, including exempting watercraft and certain trailers and motorized vehicles from property taxes and adding a personal exemption for head of household filers and certain disabled veterans. While the exemption for head of household filers is just a statute cleanup so that the tax code matches standard practice, the exemption for 100% disabled veterans is new.

The fiscal impact of the smaller changes in this bill is expected to be negligible. While the SSF apportionment piece of this legislation was a concern for KAC, the bill received overwhelming support in both chambers and was approved by the Governor.

SB 35

1.5 Mill Educational Building Fund Tax & Pauses Consideration of Bigger Changes	Slightly Reduced Property Tax Burden on Homeowners	Signed by the Govenor to Become Law

Despite a mandate to address property tax burdens squeezing constituents across the state, lawmakers were unable to deliver on their lofty promises as the House and Senate remained divided on the best path. Though there were multiple plans proposed to address high property taxes, what the Legislature ultimately settled on was the elimination of the 1.5 mills levied by the state for the Educational Building Fund (EBF).

While the state will no longer be collecting the 1.5 mills that are allocated to the EBF and State Institutions Building Fund (SIBF), the funds themselves will not be going away. Under SB 35, the state will make a transfer from the SGF each year that will begin with a $75 million transfer in FY 2027 and increase by 2% each year. This approach will result in significantly less revenue into the EBF and SIBF and will spread the SGF thinner.

While this property tax change won't offer meaningful relief to anybody – an individual in a $250,000 house can expect approximately $45 in savings per year – most of the other proposals would have been extremely costly to the state and jeopardized services that Kansans rely on.

Two particularly egregious proposals, HB 2011 and SCR 1603, would have cost the state hundreds of millions of dollars in funding used for public education. HB 2011 was relatively straightforward in the sense that it reduced the statewide school finance mill levy and then mandated future reductions to maintain revenue raised through this levy at FY 2026 levels.

While simple enough, the plan would have been extremely costly. In the first year alone, the plan would have reduced State School District Finance Fund (SSDFF) revenues by $67.4 million. After FY 2026, the cost of this legislation would have exploded; the cost to the SSDFF in subsequent years can be seen below.

Fiscal Year	SSDFF Revenue Loss
FY 2027	$113.8 Million
FY 2028	$162.4 Million
FY 2029	$213.3 Million
FY 2030	$266.7 Million

With the state legally required to maintain certain levels of funding for public education, these hundreds of millions of dollars would need to be backfilled using SGF dollars, which would severely reduce the state's capacity to fund other priorities. As expensive as this legislation is, it did make it out of committee but never made it to the committee of the whole for debate.

On the Senate side, had SCR 1603 moved forward, a constitutional amendment would have been placed on the ballot proposing property valuations being arbitrarily set at 2022 levels. If voters would approve the measure, this change would erase multiple years of property value appreciation for tax purposes and substantially reduce property tax revenues that state and local governments collect. This would be very problematic for the statewide 20 mills that the state collects for public education.

Without raising that levy – which there is clearly no appetite for – the state would be forced to transfer hundreds of millions of dollars from the SGF each year to meet their legal obligation to fund public education in the state. The cost would be similar to that of HB 2011, but the change would be much stickier as this would be cemented in the *Kansas Constitution*.

KAC was against the plan from the first week of session, and our efforts to protect public schools and the state budget were instrumental in killing the legislation.

What Didn't Pass

HB 2210 & SB 179		
State Child Tax Credit	Would Provide Tax Relief to Everyday Kansas Families	Stuck in Senate Tax and House Tax Committees, Respectively

While multiple state child tax credit bills were introduced this session (including KAC's HB 2210 and a bipartisan SB 179), neither advanced out of committee. The two bills were largely identical, with the credit beginning at $600 per child for the lowest income earners and phasing out to $25 per child for those earning more than $350,000 per year. The only difference is that HB 2210 was for children age 0 to 3, while SB 179 would cover children up to age 5, with the logic being that a smaller fiscal note would give the legislation a better chance of moving forward.

SB 179 received a hearing in the Senate Tax Committee and was viewed favorably by many of its members. Unfortunately, the bill wasn't brought up for committee debate and voting. In the hearing, KAC offered its unequivocal support for the legislation as the only organization to verbally testify in front of the committee. Many other organizations submitted written-only testimony in support of the bill, and there was no opposition.

With fiscal notes of approximately $35 million and $50 million, respectively, HB 2210 and SB 179 are both excellent options for improving the state tax code and the lives of thousands of Kansas children. In the second year of the biennium, KAC will continue to push for the policy to be adopted by state lawmakers, as a state CTC offers some of the greatest returns on investment across any credit administered through the tax code.

HB 2074		
Renter's Tax Credit	Would Make Renters Eligible for the Homestead Tax Credit Program	Stuck in House Tax Committee

Legislation that would once again make renters eligible for the homestead tax credit received a hearing in the House Tax Committee, and KAC was there to advocate for this measure that could help thousands of low-income families.

With a price tag of just $14.8 million, HB 2074 would be effective policy for delivering property tax relief to thousands of Kansans who indirectly pay them through higher rents. Prior to 2013, renters were eligible to participate in the homestead tax credit program. This eligibility was eliminated to pay for a slew of tax cuts that were ultimately repealed in 2017.

Several lawmakers seem amenable to the idea of reinstating renter eligibility and recognize the elimination of their eligibility for what it was. With the bill still able to be considered in the second year of the biennium, KAC will continue supporting this legislation and encouraging lawmakers to right a wrong of the past.

SB 277		
Tip Income Exemption	Would Eliminate Taxes on Tips, up to $25,000 of Income	Stuck in Senate Tax Committee

Eliminating taxes on tips has become an intriguing discussion point across the nation, including here in Kansas, where the Senate President stated it as one of his tax priorities early in session. While the legislation did get a hearing, SB 277 never moved out of committee.

As with the child tax credit hearing, KAC was the only organization to offer verbal testimony – this time in opposition.

While not inherently opposed to reducing tax burdens on working-class families, this does not seem to be the most effective way to achieve that goal. Many tipped workers already don't make enough to pay taxes, and those who do would likely see little individual benefit from this legislation. With a fiscal note of $4.0 million in the first year and $13.2 million in subsequent years, there are more efficient routes for delivering targeted relief to service workers who often rely on low wages.

Rather than exempt tip income, the state could reinstate renter eligibility in the homestead tax credit, eliminate taxes on diapers and feminine hygiene products, or cover more than one-third of the cost of the CTC laid out in HB 2210. We hope to see some of these other avenues explored more thoroughly, especially as it appears likely that the state will simply be able to opt to conform with the tipped wage exemption coming through the federal reconciliation bill.

SB 195		
Property Tax Task Force	Would Create a Legislative Task Force to Examine Property Taxes	Stuck in Senate Tax Committee

One idea proposed during the 2025 Legislative Session that KAC was happy to support was that of creating a property tax task force. Lawmakers came to Topeka this year with a mandate from voters to address property tax burdens across the state. Given that demand from constituents, this seemed like it would enjoy bipartisan support, but that was not the case, and the bill did not make it out of committee.

KAC provided written-only testimony in support of this legislation, expressing our eagerness to participate in a process meant to lead to smart property tax reform. We recognize that high property taxes burden tens of thousands of Kansans and that delivering meaningful relief without jeopardizing critical services is one of the greatest challenges in the post-COVID economy. **Hearing from experts, debating ideas on their merits, and exploring creative solutions is how we need to tackle this profound challenge.** Trying to address this during the whirlwind of session does not allow sufficient time to fully understand the issue and the ramifications of different solutions. As property taxes remain top of mind for lawmakers and their constituents, we hope this legislation will be revisited and acted on.

The Challenges Ahead

As we look ahead, three priorities loom large in the push for a fair and equitable tax code.

While we will not be transitioning to a flat tax in the next year, Kansas has been set down that inevitable path. KAC will continue its work to educate lawmakers and the public about this new single-rate system that leaves our state tax code less responsive to economic conditions and places more of the tax burden on lower income households.

Federal fiscal changes could dramatically affect state revenues and spending decisions. Congress' plan to make the Tax Cuts and Jobs Act of 2017 permanent and further enrich the wealthiest at the expense of the working class has several provisions that could erode the state budget and put critical services at risk of deep cuts.

KAC will push lawmakers to be good stewards of the state's finances and to prioritize families and low-income Kansans.

Finally, while we moved the conversation around a state child tax credit forward, getting one implemented proved elusive this year. With a bipartisan bill to create a state CTC currently in the Senate Tax Committee, the goal appears achievable. As we continue to build support for the policy, we will get creative and leave no stone unturned until the state tax code works better for all Kansas families.