



*Responsible Policy. Real Prosperity.*

February 2, 2017

Heidi Holliday, Executive Director  
Kansas Center for Economic Growth  
House Bill 2178 Testimony  
House Taxation Committee

Chairman Johnson and Members of the Committee:

Thank you for the opportunity to provide testimony on future Kansas tax policy. The Kansas Center for Economic Growth (KCEG) is a nonpartisan organization dedicated to promoting balanced budget and tax policies that help ensure all Kansans prosper. On behalf of all Kansans, we urge the committee to consider a comprehensive, sustainable solution to re-balance Kansas tax policy. There are many components of House Bill 2178 that we are pleased to see being discussed and support. **We are testifying as neutral because we believe comprehensive tax reform that closes our present budget shortfall is necessary to correct the structural imbalance in the Kansas budget.**

**HB 2178 is a good starting point** for addressing some of the core problems with the failed 2012 tax policy and a good example of what we can accomplish if we address the damage done by individual rate changes: we can begin to restore balance to our state's budget, and bring back important deductions and credits that were eliminated to pay for tax breaks that benefited a small number of Kansans.

**HB 2178 begins to address the structural imbalance in the Kansas budget by doing two key things:** it repeals the "March to Zero," or "glide path" provision of the 2012 tax plan, and it adjusts income tax rates to increase revenue. While we have not seen a fiscal note for how much revenue would be captured under this income tax structure, we know that 70% of the revenue loss in the state after the 2012 tax plan is due to the individual income tax changes.

The addition of deductions for medical expenses is also important because many credits and deductions that benefit hardworking Kansas families were eliminated after the 2012 tax plan went into effect.

**We believe that repealing the "March to Zero" and restructuring income tax brackets must be done as part of a comprehensive tax reform package.** Without eliminating the LLC exemption, Kansas' revenues will continue to fall short.



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We also believe that any restructuring of the income tax structure should have two key elements: 1) To preserve as much of the current rate structure as possible for as many Kansans as possible, 2) To limit as much of the adjustment as possible to Kansans who can most afford it. The bottom 40% of Kansas earners saw a tax increase after the 2012 tax plan.

We appreciate the core ideas of HB 2178 and believe that this proposal, combined with other proposals that address core components of tax changes in 2012/2013, could be the basis of the comprehensive tax reform package needed to restore Kansas' fiscal health.

Sincerely,

A handwritten signature in blue ink that reads "Heidi Holliday". The signature is fluid and cursive, with a large loop at the end.

Heidi Holliday, Executive Director  
Kansas Center for Economic Growth