



Responsible Policy. Real Prosperity.

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Heidi Holliday, Executive Director
Kansas Center for Economic Growth
Senate Bill 147 Testimony
Senate Assessment and Taxation Committee

Chair Tyson 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 several components of Senate Bill 147 that we support and are pleased to see being discussed. **We are testifying as neutral because we believe comprehensive tax reform is necessary to correct the structural imbalance in the Kansas budget.**

SB 147 begins to address the structural imbalance in the Kansas budget by doing two key things: it repeals the non-wage business tax exemption (“LLC loophole”) provision of the 2012 tax plan, and it adjusts income tax rates to increase revenue. These are crucial elements to any comprehensive tax reform package.

However, we believe that repealing the “LLC loophole” and restructuring income tax brackets must be done as part of a comprehensive tax reform package. Without repealing the March to Zero, 330,000 Kansans are moved from the LLC loophole (where they pay no income tax) to the “March to Zero (where they will eventually pay no income tax again).

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, and 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.

Finally, the fiscal note on SB 147 shows that **it raises less than half of the needed revenue** to meet the expected budget shortfall in fiscal year 2018 of \$580 million. We need a comprehensive solution that meets the current budget shortfall and puts Kansas back on a path toward fiscal stability.

We appreciate the core ideas of SB 147 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.