Kansas
CENTER FOR ECONOMIC
GROWTH

Responsible Policy. Real Prosperity.

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Written only testimony in opposition to Senate Bill 22
Senate Select Committee on Federal Tax Code Implementation

Dear Chairwoman Wagle and Members of the Committee:

Thank you for the opportunity to submit written testimony in opposition to Senate Bill 22. The Kansas Center for Economic Growth (KCEG) is a project of Kansas Action for Children, a nonprofit, nonpartisan organization. KCEG conducts research and analysis to promote balanced state policies that help every Kansan prosper.

Last legislative session, the Kansas Senate passed Substitute for House Bill 2228. On its surface, the bill addressed issues from the federal tax plan passed in December 2017. However, it also included extremely fiscally irresponsible provisions that would have cost the state at least $494 million over the next five years. The Kansas House understood that Kansas cannot afford to forgo the lost revenue and rejected the bill.

This year, your committee has brought forward similar legislation that is risky, lacking in clarity, and fiscally irresponsible. Kansas cannot afford another tax experiment with unknown economic ramifications.

The truth is, we don't know what the revenue effect of federal tax reform on Kansas will be.

We have yet to see the full impact of Senate Bill 30. We have yet to see the full impact of the Tax Cuts and Jobs Act of 2017 (TCJA). We must wait and see the full effects of these two pieces of tax legislation before tinkering again with Kansas tax policy.

After eight years of decreased revenue and damage to the state, in part because of an underestimate of the impact of exempting LLCs from income tax, we must learn our lesson and only consider tax policy where there is a clear and consistent understanding of the fiscal impact.

It is important for Kansas lawmakers to remember that, as the National Conference of State Legislatures pointed out in a presentation on federal tax law changes, "stuff rolls downhill." The Tax Cuts and Jobs Act will reduce federal revenues by $1.5 trillion over the next decade, and this will "impose fiscal constraints on the federal government and its ability to finance intergovernmental and other programs."

Another unknown is the effect on the Department of Revenue, as it will have to assume responsibilities in areas previously covered by the federal government as a result of "decoupling" for individual filers.

Our state has significant needs.

From enhanced funding for schools to investing in infrastructure, health care, early education, and thriving communities, we are on the road to recovering from former Gov. Sam Brownback's tax plan together. As we've repeated, that journey will take time.

Lawmakers should reject calls for additional risky tax changes and instead concentrate on the state's lengthy list of needs to address as Kansas recovers from years of failed tax policy. Lawmakers should remember these priorities and opportunities for our state as any potential revenue comes because of federal changes.

Without clarity about the fiscal impact and with many competing demands on Kansas' budget, lawmakers should reinvest any revenue because of federal tax reform in our state's recovery from failed tax policy – not spend it on another reckless experiment.

We urge lawmakers to oppose Senate Bill 22. Without a certain revenue source to pay for such costly changes, Kansas simply can't afford to do otherwise.