



## **Testimony in Opposition to HB2430 Before House Taxation Committee**

**Mr. Daniel Murray, Kansas State Director  
National Federation of Independent Business**

**Thursday, May 6, 2015**

On behalf of the National Federation of Independent Business (NFIB), thank you for the opportunity to submit testimony on HB2430. NFIB is the state's leading small business organization representing small and independent businesses. A non-profit, nonpartisan organization founded in 1943, NFIB represents the consensus views of its over 4,200 members in Kansas.

The NFIB opposes HB2430, which will increase income taxes on Kansas job creators by hundreds of millions over the next two years. The bill reverses course on the state's promise to reduce and eliminate income taxes on individuals and small businesses. It will inject uncertainty and complexity into small business operations and remove vital investment dollars from the Kansas economy.

Listen, we understand there's no good solution to the budget problem, but there are better solutions and worse solutions. The worst solution of all would be rolling back the job-creating income tax cuts on small business; the very businesses that can least afford to pay them. HB2430 is an abrogation of the plan to reduce and eliminate state income taxes, particularly on small businesses. Allowing small business owners to keep more of their hard-earned money to reinvest in and grow their business is sound policy that is growing the Kansas economy. The small business income tax exemptions have only been in place for two short years. HB2430 effectively deploys the parachute before the drag race has even started. We urge you to stay the course and keep the exemptions in place.

Further, small businesses need tax simplicity and predictability. HB2430 provides neither. In fact, the bill does a couple things which promise to create confusion and unexpected expense:

- 1) The bill creates a tiered system wherein business entities are taxed differently if they have an employee(s). Those small businesses with an employee(s) will be taxed at the lowest rate, while sole proprietors will be taxed at the highest rate. First, this proposal perpetuates a complicated tax system which picks winners and losers. While we appreciate what appears to be a "reward" to those with an employee(s), the bill assumes that sole proprietors are not providing economic benefit to the Kansas economy or don't have the potential to grow into a business entity with employees. The tax savings of the sole proprietor could be the difference in hiring an employee. Secondly, the tiered tax system in this bill creates an additional compliance burden on small businesses which are already drowning in regulations. In order to be taxed at the lower tax rate, small businesses must certify that they have employees by submitting detailed information to the department of revenue. This means small businesses will spend more time and money on tax compliance and less time and money on creating jobs.

- 2) The bill is retroactive to January 1, 2015. Many small businesses have likely spent their state income tax savings on capital upgrades or improved employee benefits. This means they aren't saving and paying estimated quarterly taxes, and will be hit with an unexpected, and possibly door-closing, tax bill on April 15, 2016.

Finally, I have heard countless stories from small businesses about the benefits of the 2012 tax cuts. Upon hearing of legislative efforts to repeal or roll back the cuts, many NFIB members began contacting their legislators to share what the savings have meant to their business operations. I had hoped to have a few of our members here today to tell their story. But, given the short-notice, I was unable to schedule any members to testify. However, Attachment A is a sampling of testimonial comments submitted to legislators in the past week (I have removed identifying information). I urge you to consider these comments while you deliberate whether or not to roll back the small business tax exemption.

Again, HB2430 breaks the legislature's promise to small business owners, is bad tax policy and will increase small business compliance costs. Our members strongly urge you to oppose the bill.

## Attachment A. A Sample of Small Business Testimonials

Sent via email to: Representative x, Senator x

As a small business of 10 employees it has been a challenge these last 2 years. The tax breaks we receive allows us to continue and improve our business. Thank you for supporting small business and the family's they represent.

Sent via email to: Senator x, Representative x

These tax exemptions allow small companies to reinvest in their business and employees. We can put the savings to much more constructive use than the government could ever do. Do not send them to the unemployment office, save the tax cuts.

Sent via email to: Representative x, Senator x

The tax cuts we have experienced over the past couple of years have been a great help to our small no, our tiny little business. With so many other demands being made from various state and federal agencies impacting our pocketbooks to remain compliant with added regulations and laws, we do not need this added burden. Thank you for your past work. We appreciate all you do for small business in general.

Sent via email to: Representative x Senator x,

I own two small businesses in Kansas. The tax exemption that is in place for Kansas small business needs to stay in place. I truly believe that having that tax exemption advantage will pull more small businesses to the state of Kansas which in turn pulls more economic activity (more state revenue) for the state of Kansas. Small business is what has always been the key to pulling our economy out of a slump. Small business is the engine that really epitomizes the American dream. Having this tax exemption really helped both of my businesses in 2014 and allowed me to reinvest in my business and my employees. As an example, even though revenues were down in 2014 I hired two additional people to my staff (a 10% increase) anticipating a better year in 2015. That tax exemption helped make this happen. Adding jobs is always a good thing. Please keep this tax exemption in place.

Sent via email to: Representative x, Senator x

Please keep the tax cuts in effect. They allow my business to continue to grow and be a blessing to my community. The more of my money I am allowed to keep, the more I have to give and invest into my community to make it a better place. It also allows me to have more to reinvest in my company and grow it, so that there is more to give.

Sent via email to: Representative x, Senator x

Our family business has been in Kansas City, KS for over 100 years. My grandfather started the business in the xxx block of xxx Ave in 1912. We're dedicated to serving the citizens of Kansas City, providing quality products and services. The economy over the past few years has been less than stellar. The tax exemption of small business income has allowed us some breathing room to grow and reinvest in our business. If the exemption goes away we will have to curtail or eliminate our growth efforts with a resulting negative impact on the urban Kansas City community. Please keep our tax exemption in place. Let's work to grow small business and jobs in Kansas City.

Sent via email to: Representative x, Senator x

Our company has been able to make small improvements to our building, add a new location and improve technology with some of the funds that would have been used for taxes. Keep Kansas small businesses going in the right direction don't cause the loss of momentum in our communities.

Sent via email to: Representative x, Senator x

Small businesses are struggling and barely able to keep their heads above water. If you take away this one item, many more will shut down.

Sent via email to: Senator x

Many of us Small Business Owners are coming off one of the most difficult economic times in history. We have sacrificed our personal incomes, credit ratings not to count the innumerable amount of work it took to pull through. We are just now getting back on our feet so now is NOT the time to add any additional tax burdens.