



**Written Testimony in Opposition to HB2434
Before House Taxation Committee**

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

Tuesday, May 19, 2015

On behalf of the National Federation of Independent Business (NFIB), thank you for the opportunity to submit testimony on HB2434. The 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 HB2434, which will increase income taxes on Kansas job creators. Like other proposals to repeal or gut the small business exemption, HB2434 reverses course on the state's promise to reduce and eliminate income taxes on small businesses. It will inject uncertainty and complexity into small business operations and remove vital investment dollars from the Kansas economy.

The bill limits the subtraction modification on business income to the first \$150,000 in income for 2015 and to the first \$100,000 in 2016 and thereafter. While this limited exemption will mitigate the negative impact of income tax increases on some small businesses, the cap is problematic for several reasons, including: 1) It is retroactive. This means thousands and thousands of small businesses will be hit with an unexpected, and possibly unaffordable, tax increase; 2) It is arbitrary and low. Seemingly, this is designed to meet a revenue goal and not to achieve good tax policy; and 3) The subtraction modification cap is static. The bill does not accelerate the cap to eventually restore the status quo, nor does it account for inflationary considerations.

Furthermore, there is a high probability that this policy, if it were to unfortunately pass out of committee, will be packaged with other tax increases. Thus, even if HB2434 represented policy that NFIB would not oppose, it is impossible for us to make that determination without an understanding of what other tax increases will be paired with the provisions of this bill.

For the record, because HB2434 proposes to tax small business income, we do support the provisions of the bill that restore the ability of affected small businesses to account for qualified business losses and various deductions.

As always, we look forward to working with you on a serious tax plan that does as little harm to small businesses, the backbone of the Kansas economy.