

March 8, 2016

Representative Marvin Kleebe, Chairman  
House Taxation Committee  
300 SW 10<sup>th</sup> Avenue, 185-N  
Topeka, KS 66612

RE: In support of HB 2444

Dear Mr. Chairman and Members of the Committee:

I urge you to close the pass through tax loophole as it's a losing hand politically. Come the 2016 and 2018 statewide elections the Republican Party is likely to reap that whirlwind if mid-course corrections aren't made and made now. Politics is about perception. And the public's perception, right or wrong, is that the state's finances are in serious trouble. The public is unnerved, and frankly, so am I... and I consider myself to be a fairly well-informed fiscal conservative.

I ask you:

- How's it fiscally conservative to have blown through hundreds of millions of dollars in cash reserves?
- How's it fiscally conservative to have no cash reserves left?
- How's it fiscally conservative to have a statutory requirement mandating something akin to a rainy day fund be maintained, and then ignore said statute when it is convenient?
- How's it fiscally conservative to regularly borrow from Peter to pay Paul to balance the state's budget?
- How's it fiscally conservative to have our state's credit rating downgraded – twice?
- How's it fiscally conservative to have the state Transportation Department unilaterally decide to sign an agreement to pay zero interest on \$400M in bonds for 10 years (done, I presume, so Peter's check to Paul does not bounce)?

Taken together, it is akin to showing 20 and telling the blackjack dealer to "Hit me!" A risky move under any circumstance, but doubly so as its taxpayer's money that's being gambled. That might pass muster in Washington, but it shouldn't here in Topeka.

Yes, closing the loophole may involve eating a little crow. If so, I suggest we hire a great chef and get on with it. I say "we" as I supported the tax policy in question when it was first proposed and implemented, so bring in the elbows and pass the salt.

As you all think about how to explain this shift in policy to the Kansas electorate, Republicans included, I offer this historical anecdote: During the Korean War Marine Corps General Oliver Prince Smith was asked by the press to comment on the retreat of his Marines from the Chosin Reservoir. He replied, "Retreat, hell! We're not retreating, we're just advancing in a different direction." Enough said.

Lastly, I want to assure everyone on the committee I do not make this recommendation lightly. I have pass through income, so depending on how you close the loophole I may end paying state income taxes. I'm okay with that added burden if it helps steady an antsy electorate and preserves the Republican Party's legislative influence in Topeka.

Long live the great state of Kansas and the Party of Lincoln!

Thank you.

Regards,  
Jim Eschrich

**ESCHRICH RESEARCH, INC.**

8443 Alden Street  
Lenexa, KS 66215  
(913) 599-1131  
(913) 707-1131 Mobile