

**TESTMONY IN SUPPORT OF HB2444**  
**HOUSE TAXATION COMMITTEE**  
**MARCH 15, 2016**

Chairman Kleeb and members of the Committee, thank you for the opportunity to provide testimony in support of HB2444. My name is Jim Holland. I'm from Leawood, Kansas. I am the Regional Managing Partner of Fisher & Phillips, LLP – a national Labor and Employment law firm.

Everyone likes lower taxes, but it appears that the 2012 tax cuts have gone too far, too fast. They put our state's overall financial condition at risk, threatening our highways, schools and universities, and other quality of life amenities that make Kansas a great place to live, work and raise a family. As a lawyer who represents businesses in both Missouri and Kansas, I have seen first-hand the impacts these tax cuts have had on my clients' abilities to conduct business in the state. Excellent schools are the centerpiece of attracting businesses to our state in order to provide a stable and quality workforce. Unfortunately, the 2012 tax cuts have put our public education at risk.

HB2444 offers two good policy ideas – a more balanced and fair tax structure that will provide adequate and consistent revenues and lower sales taxes on food.

The 2012 tax cuts resulted in 330,000 Kansas businesses paying no income taxes, a loss to the state of approximately \$250 million annually. Coupled with the reduction in individual income tax rates also passed, this has resulted in the state consistently falling short of its revenue estimates. In the first eight months of this fiscal year, revenues have hit the official estimates only once, falling approximately \$80 million short of those predictions, even though the 2015 legislature passed the largest tax increase in Kansas history by increasing its sales tax rate to 6.5%, one of the higher rates nationally. We are also seeing more pressure on property taxes as local units of government continue to work to maintain their services and try to take up the slack.

The result has been that we have had to balance the state's budget using one-time funds, sweeping funds from revenue sources dedicated for other purposes, and increasing debt – not a sound, sustainable financial policy. The uncertainty created by the state's budget crisis not only causes immediate problems for businesses, but it also serves as a restraint on businesses looking to grow. Without knowing whether or not the State of Kansas can continue to provide the infrastructure which has made it a place businesses want to be, many businesses have decided to put a hold on their plans to expand.

With the 2015 sales tax increase, Kansas now has the highest state sales tax rate on food in the country. Not only does this represent a real and additional burden on the poor and elderly, but it also particularly impacts the economies of our border counties. This bill would lower the food sales tax rate to 2.6% at a cost of approximately \$66 million per each one cent reduction. This means that essentially all of the revenue generated by the reinstated business income tax would be used to pay for the sales tax cut – maybe too far, too fast again. Maybe a better idea is to begin an incremental lowering of the sales tax rate on food, possibly to 5% or 5.5%, leaving some of the “new” income tax revenue to fortify the state general fund and balance the budget.

I appreciate the Committee accepting this written testimony and thank you for considering this important change in tax policy that restores fairness across taxpayers and certainty to delivery of those core services that the people of Kansas value so highly.