

Proponent HB2444
House Taxation Committee
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Written Only

Thank you, so much, for contacting me about providing input to the House Tax Committee, regarding tax policy for our great state of Kansas. As we have visited, I do have concerns about how a tax income source was abruptly curtailed while the intended economic growth will not be accomplished for several (if not many) years. I definitely believe less governmental interference and competitive tax rates will spur the necessary economic growth for future viability of Kansas, but the implementation of this plan was flawed, from the outset.

I am a proponent, on the federal level, of the Fair Tax (as espoused by Mike Huckabee and others) because I believe it makes the statement “if you use it you pay for it.” I am not sure the Fair Tax can be implemented, in total, in Kansas, particularly during the currently depressed condition of agriculture and energy. But, the Fair Tax plan does provide a “prebate” to address lower income individuals/families who may need assistance with necessities of living, particularly food. With this being said, please permit me to offer some observations and suggestions.

First, whether it be property, income or sales tax, our overall tax base for collection of this revenue has shrunk. Some of the reason for this shrinkage might be caused by current economic conditions, but much of the cause is due to the excessive number of exemptions permitted over many years. So, my first suggestion is that ALL current exemptions must be reviewed. If the exemption is for a very small and specific group of taxpayers, it needs to be eliminated. If the exemption benefits a group of taxpayers who are not dependent upon the source of income for their livelihood, or who are not creating jobs for the overall economic good of Kansas, it needs to be eliminated. For one example, I believe “hobby farmers,” or absentee landowners, should not necessarily benefit from a sales tax exemption on goods, services and equipment. However, a farmer, who derives his livelihood from the farm has to be assisted with this exemption, particularly due to the excessively high price of farm equipment, etc. So maybe the tax policy is to exempt only those farmers who derive X% of their income from the farm, while all others with farming interests, and farmland investments, must pay sales tax.

Second, with regard to LLCs, which seemed to have been abused after the current income tax legislation was passed (I guess that is the definition of an “unintended consequence”), there are some businesses that should benefit from lower taxes and others which should not. For example, I own an LLC that has been in existence since 1994. I term it a “mature” business. However, it would have been very helpful during the first few years (about five in our case), as we were starting the business, not to pay income taxes as we reinvested every available dollar into our business. Even tax deductions are not very helpful during this “infancy” stage because that doesn’t permit use of 100% of dollars necessary to grow a business. With my LLC being “mature,” I don’t believe I was being harmed by paying some state income tax. However, I will tell you that during the first year of current tax legislation, I purchased several capital items (and paid sales tax) that I would not have purchased at that time, had I been paying income tax. In the last few years, two of our family members formed LLCs (prior to the current legislation). In my opinion, the elimination of income tax for them has accelerated their opportunity for growth and long-term success. So, I believe businesses in the infancy stage need to be encouraged to grow, while businesses in the mature stage need to pay some income tax (but at a lower percentage than was in place prior to current legislation).

Third, there is still a need to review all governmental expenditures, no matter what tax policy is in place. For example, the term “education spending” is far too broad. We continue to increase spending for education, without appropriate improvement of student achievement. Why? Because, in my opinion, “education dollars” are being diluted and not being used 100% for “education” of students. Our education dollars are going to unfunded federal mandates, programs that should be provided by other entities (i.e. social services) and

programs/activities that should be returned to the families. If we examine education spending and direct tax dollars to “quality public education,” I submit that expenditure of state (and local) tax dollars are more than adequate for “producing positive contributors to the economic and social well-being of society” (the mission statement of Garden City Community College). But, we must target “education dollars” for what are truly “education expenses.” (Special note: We must (with our state legislature’s leadership) get the federal government out of the education programs/funding business. Education is first a local issue and second a state issue.) Education, though, is only one example of governmental expenditures that need a more thorough review.

Fourth, if we are going to, as a state, decrease some sources of tax revenue, we must examine each and every fee that supports any aspect of state government (but not without considering whether or not the government expenditures are “needed” rather than “wanted”). For example, why has Kansas not raised its permit fees for “heavy haul” trucking that continually damages our highways and other infrastructure? I understand, Oklahoma for example, has a fee structure that is based on mileage driven through its state. Even in my profession, some of the fees I pay in Kansas are \$50 compared to a range of \$250 to \$400 that I am required to pay in other states, for the same licenses.

As a person who is a life-long resident of Kansas, and intends to spend the remainder of my life in this great state, I express all of these comments, concerns and suggestions with a spirit of being a “positive contributor” to the process. I believe we need a fair, balanced and competitive tax policy. We need a tax policy that provides revenues to fund our “needs” not our “wants,” as a state. We need a tax policy that encourages, rather than discourages, economic growth. And, we need a tax policy that encourages, rather than discourages, people to work.

Finally, thanks to you, and all other legislators who genuinely care about doing what is right for all Kansans, not just a few self-serving interest groups. As, someone who grew up in northeast Kansas, has lived in western Kansas for 50 years and has family in central, south central and eastern Kansas, I truly appreciate the contributions being made by each area of the state, for the benefit of the entire state. I hope and pray that those in state leadership positions have the same appreciation for our entire state and recognize how decisions being made might impact each area.

Take care and God bless.

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