

April 25, 2016

Senator Les Donovan, Chairman  
Senate Taxation Committee  
300 SW 10th Avenue, Room 123-E  
Topeka, KS 66612

RE: In support of SB 508

Dear Mr. Chairman and Members of the Committee:

I urge this committee to close the pass through tax loophole.

To be blunt, the loophole is a losing hand politically. Come the 2016 and 2018 statewide elections the Republican Party is likely to reap that whirlwind if mid-course corrections are not made and made now. It is simple really, politics is about perception. And the public's perception, right or wrong, is that the state's finances are in 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 is it fiscally conservative to have blown through hundreds of millions of dollars in cash reserves?
- How is it fiscally conservative to have no cash reserves left?
- How is it fiscally conservative to have a statutory requirement requiring something akin to a rainy day fund be maintained, and then ignore said statute when it is convenient?
- How is it fiscally conservative to regularly borrow from Peter to pay Paul to balance the state's budget?
- How is 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, but I digress)?

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 it is taxpayer money that is being gambled. This might work in Washington, but it should not here in Topeka.

Yes, closing the loophole may involve eating a little crow. If so, I suggest we hire a great chef and dig in. I say "we" as I supported these tax policies when they were first proposed and implemented, so please make a little room for me at the table and pass the salt.

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. His reply provides a model for how to explain closing the tax loophole to the Kansas electorate, Republicans included: "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 am 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.

Regards,

Jim Eschrich

**ESCHRICH RESEARCH, INC.**

8443 Alden Street

Lenexa, KS 66215

(913) 599-1131

(913) 707-1131 Mobile