

SENATE TAXATION COMMITTEE

April 28, 2016

Chairman Donovan and Members of the Committee:

Thank you for this opportunity to voice my support for SB 508. This bill will increase Kansas tax revenues and help restore fairness and equality to the tax system, while causing no decrease in Kansas job creation.

I am a retired CPA with nearly forty years of experience in taxation and public accounting, most of it in Parsons. As a partner in a CPA firm with nearly fifty employees, I became well aware of what motivated small business to hire additional employees, i.e., additional profit. If an employer thought additional employees would add to the bottom line, they would be hired. The issue of whether a small percentage of that profit might have to be paid in state income taxes was immaterial. In other words, would an employer decide against hiring an employee who would generate \$10,000 in additional profit because he might have to pay \$400 in additional Kansas tax, thereby forgoing \$9,600 of additional net income? Obviously not.

The exemption is also an incentive for businesses and employees to misclassify such employees as independent contractors, thereby allowing them to avoid taxation.

The concept that as a former LLC member and S Corporation shareholder I am exempt from tax while my secretary, who makes only a fraction of my income, would be subject to it, is abhorrent.

I have also heard the argument made that lower income taxes will attract jobs from other states. This is a zero sum game, and always has been. One need only look at the cutthroat competition between municipalities in property tax abatement to attract new businesses. At the same time, Kansas has raised sales taxes, driving consumers across state lines to make their purchases.

A far better catalyst for job growth is maintaining good schools, highways, and quality of life. As a lifelong Republican, I always considered my party to be the party of fiscal responsibility. Fiscal responsibility entails managing one's resources wisely, but also meeting one's obligations and responsibilities. Unfortunately, the current tax strategy has resulted in the reduction of services, lower than average job growth, and mortgaging the economic prosperity of future generations of Kansans. SB 508 is a step in the right direction toward correcting this regrettable situation.

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