

February 15, 2023

To: Kansas Senate Committee on Assessment and Taxation
From: Americans for Tax Reform
Re: Testimony in Support of SB 169

Dear Madam Chair and Members of the Committee,

On behalf of Americans for Tax Reform and our supporters across Kansas, **I urge you to support SB 169**, legislation that would move Kansas to a single-rate income tax. This pro-growth tax reform would reduce the state's tax burden and simplify compliance, making the Sunflower State an even more attractive place to live, work, and raise a family.

States across the nation are moving at a record pace to streamline their income taxes to a flat rate and put them on the path to zero. In the 2022 legislative session alone, 4 states exchanged their progressive income tax system for a single-rate tax, bringing the total number of flat tax states to 13.

The trend shows no signs of slowing in 2023. In nearby Oklahoma, Governor Kevin Stitt is proposing to cut the state's graduated income tax to a flat rate of 3.99%. North Dakota Governor Doug Burgum is leading support for legislation that would reduce the personal income tax to a flat 1.5% rate, giving his state the lowest single-rate tax in the country. Arkansas, West Virginia, Ohio, and even Connecticut are among states with income tax reductions on the table right now.

Since 2020, over 20 states have enacted income tax cuts. Many of these cuts were the largest in state history. **With historic budget surpluses, red states are laser-focused on delivering permanent, structural income tax reform.**

SB 169 presents a historic opportunity for Kansas to gain a regional economic advantage as tax competition between states continues to heat up. Under this bill, the top marginal rate – the rate that is used to make decisions about investment – would be reduced by almost a full percentage point from 5.7% to 4.75%. Moreover, the middle rate of 5.25% kicks in at a relatively low threshold of \$15,000. This means that most Kansas taxpayers are already subject to a tax rate that is higher than the proposed single-rate tax. The 5.25% rate is also higher than the tax paid by residents of many other states in Kansas's region.

Reducing the personal income tax rate also provides significant relief to small businesses, opening up new opportunities for entrepreneurship and investment. S-corps, pass-throughs and LLCs are taxed on the personal side of the code. With the lower and simpler tax paradigm proposed by SB 169, these smaller companies will have more resources to invest in new jobs, higher wages, and expanding their operations across the state.

Right now, eight states do not tax a single dollar of wage or investment income. New Hampshire passed reforms that will make it the ninth "no-income-tax state" by 2026, joining Texas, Florida, Tennessee, Nevada, South Dakota, Washington, Wyoming, and Alaska. Notably, these no-income-tax states were among the top destinations for the millions of Americans who fled in droves out of high-tax, high-regulation states to friendlier economic environments. By adopting a competitive single-rate tax, Kansas will stand out as an attractive option for new residents and businesses.

Enacting a flat tax during the 2023 legislative session would put Kansas in a prime position to become the next no-income-tax state. SB 169 sends a clear message that Kansas lawmakers are committed to cultivating a healthy, sustainable, pro-growth tax regime that encourages new investment and puts Kansas families first. As Kansans continue to struggle with the inflation driven by President Biden and

722 12th Street N.W.

Fourth Floor

Washington, D.C.

20005

T: (202)785-0266

F: (202)785-0261

www.atr.org



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his Democrat lackeys in Washington, SB 169 offers a way for families and individuals to keep more of their hard-earned money on a permanent basis.

Reducing, flattening, and eventually eliminating the income tax would move Kansas to the top of the pack where the state belongs. As such, **ATR supports a vote to advance SB 169 out of committee.** ATR also supports subsequent or alternative efforts to prioritize permanent income tax reduction and enact a single-rate tax.

Thank you for your leadership and public service.

Sincerely,

Grover G. Norquist
President
Americans for Tax Reform

722 12th Street N.W.

Fourth Floor

Washington, D.C.

20005

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F: (202) 785-0261

www.atr.org