



Chair Tyson and Members of the Committee,

We appreciate this opportunity to submit proponent testimony for SB 546, which decreases the corporate income tax rate, discontinues tax credits of the high performance incentive program and payroll withholding tax benefits of the promoting employment across Kansas act and repealing certain unused tax credits.. We hold the following positions on SB 546.

1. SB 546 puts small and new businesses on a level playing field with older and larger firms
2. SB 546 is a step towards broad-based tax reduction
3. SB 546 can help reverse Kansas business climate and encourage in-migration

SB 546 puts small and new businesses on a level playing field with older and larger firms

The HPIP and PEAK credits lower the cost of development for a few businesses by raising the costs for others. In other words, all Kansas businesses not a part of the HPIP program, effectively subsidizes their HPIP and PEAK competition. This is because history shows HPIP and PEAK are offered to large firms with enormous development costs, so newly created companies are left out of the running for funds. SB 546 rectifies this imbalance by ending HPIP and PEAK by 2025, removing the unfair disadvantage startups and small businesses have against older and larger firms with more resources and political clout.

SB 546 is a step towards broad-based tax reduction

According to the Kansas Department of Revenue, the HPIP credits costs Kansas taxpayers and businesses roughly \$73 million in calendar year 2022.¹ That is more than 10% of all corporate income tax revenues in fiscal year 2023. In other words, if Kansas never had the HPIP program in the first place, the corporate income tax rate could be 10% lower.²

SB 546 can help reverse Kansas business climate and encourage in-migration

Having so many tax increases and relative high rate encourage companies and people to stay away from Kansas and keep the sunflower state from growing at its potential.

2024 Business Tax Climate

The Tax Foundation ranks Kansas as having the 21st best corporate income tax rate in the country. It's overall business tax climate is ranked as the 26th best in the country, but has been worsening every year since 2022.³

2023 Population Migration

U.S. Census Bureau reports Kansas has the worst record on domestic migration among

¹ Kansas Department of Revenue, *Tax Expenditure Report Calendar Year 2022*, <https://www.ksrevenue.gov/pdf/taxexpreport22.pdf>

² Kansas Division of the Budget, *FY 2023 State General Fund Receipts*, https://budget.kansas.gov/wp-content/uploads/12_June_Revenue_FY2023_07-03-2023_Final.pdf

³ Tax Foundation, *2024 Business Tax Climate Index*, <https://taxfoundation.org/research/all/state/2024-state-business-tax-climate-index/>

bordering states, as more U.S. residents moved out of Kansas than moved in. Kansas had a net loss of 4,500 residents by July 2023, and lost a net 16,000 residents since 2021.⁴

For these reasons, we urge the committee to support SB 546 in its current form.

⁴ U.S. Census Bureau, State Population Totals and Components of Change: 2020-2023, <https://taxfoundation.org/research/all/state/2024-state-business-tax-climate-index/>