**Senate Committee on Assessment and Taxation**
**Testimony in Support of Senate Bill 259**
**Presented by Eric Stafford, Vice President of Government Affairs**

**Tuesday, March 4, 2025**

Madam Chair and members of the committee, my name is Eric Stafford, Vice President of Government Affairs for the Kansas Chamber. The Kansas Chamber represents small, medium and large-sized businesses across the state, advocating for policies which improve the economic climate in Kansas. We appreciate the opportunity to provide testimony in support of Senate Bill 259, which is an income tax rate reduction bill modeled off several states that have reduced income taxes through growth in state receipts.

North Carolina first enacted a revenue-based growth trigger to reduce their tiered income tax system which topped out at a rate of 7.75%. Over 30 states have reduced income taxes in the last four years. West Virginia adopted a revenue growth trigger in 2023 with the goal of eliminating their income tax. Many states have moved toward a single, flat rate on income taxes. Arizona used revenue triggers to lower their income taxes to a single rate of 2.5%. Kentucky, Indiana, Arkansas and Iowa are a few others utilizing growth in state revenues to lower rates, rather than cutting rates and figuring out how to balance the budget after.

**State General Fund Balances**
*(Dollars in Millions)*

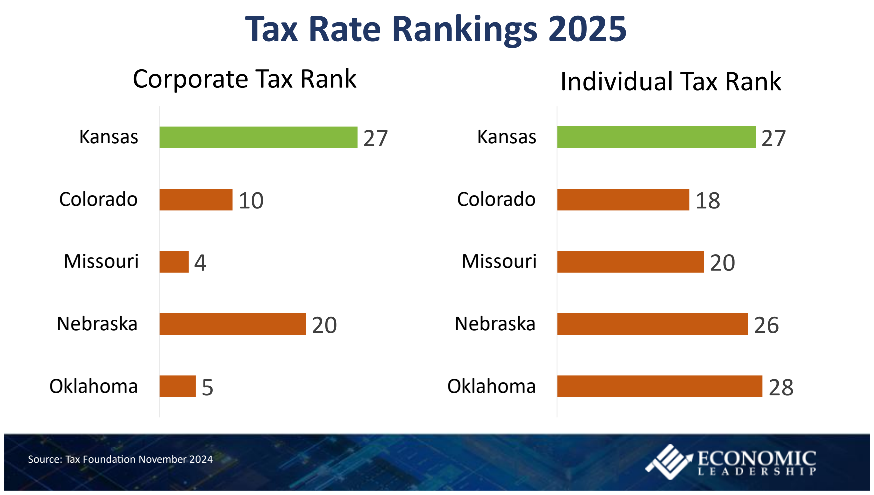
| Fiscal Year | Receipts | Expenditures | Balances | Percent |
|---|---|---|---|---|
| 2012 | $6,412.8 | $6,098.1 | $502.9 | 8.2 |
| 2013 | 6,341.1 | 6,134.8 | 709.3 | 11.6 |
| 2014 | 5,653.2 | 5,982.8 | 379.7 | 6.3 |
| 2015 | 5,928.8 | 6,237.0 | 71.5 | 1.1 |
| 2016 | 6,080.7 | 6,115.1 | 37.1 | 0.6 |
| 2017 | 6,347.9 | 6,276.5 | 108.5 | 1.7 |
| 2018 | 7,302.3 | 6,649.1 | 761.7 | 11.5 |
| 2019 | 7,376.1 | 7,032.8 | 1,105.1 | 15.7 |
| 2020 | 6,900.4 | 7,522.5 | 495.0 | 6.6 |
| 2021 | 8,865.9 | 7,267.8 | 2,094.8 | 28.8 |
| 2022 | 7,935.8 | 8,195.9 | 1,834.6 | 22.4 |
| 2023 | 9,302.8 | 8,727.1 | 2,410.4 | 27.6 |
| 2024 | 10,139.6 | 9,365.2 | 3,220.7 | 34.4 |
| 2025 | 9,742.3 | 10,889.1 | 2,073.9 | 19.0 |
| 2026 | 9,835.6 | 10,654.9 | 1,254.5 | 11.8 |

*Totals may not add because of rounding.*

Today, North Carolina sits at a single rate of 4.5% with plans for future reductions through revenue growth triggers. While the tax compromise of the June 2024 special session didn't result in a single rate for Kansas, it established the structure to allow for the move to a single rate. We believe SB 259 is the best path toward achieving that goal.

The chart on the first page of our testimony from the Governor's 2025 budget report shows the increase in state spending over time. You'll notice in 2012, state receipts totaled $6.4 billion. In FY '24 receipts exceeded $10 billion. With the tax plan from 2025, receipts have now dipped just under $10 billion.

How does this growth trigger work? First, you must establish a baseline budget number, which in SB 259 is $10 billion. As state receipts exceed the baseline number, spending is allowed to increase up to the amount tied to inflation. Any tax receipts collected in excess of inflation must be used to buy down income taxes. Each year the baseline revenue number would adjust based on the calculation of inflationary growth in receipts. If receipts don't exceed the baseline budget, no reduction in income tax rates would take place. This would continue until Kansas achieves a single rate of 4.5% and then the trigger would operate in the same fashion to reduce the corporate income tax rate to the same 4.5%. Once those goals are met, the trigger goes away.




With so many states taking aggressive steps to attract business investment and individuals through competitive tax policy, Kansas lags behind. We must ask ourselves where we want to be in 30 years. Do we want to maintain the stagnant to slow population decline, or do we want to grow our state? As businesses and individuals consider where to invest and live, the cost of living IS a factor. Our employment costs are very competitive as you see below. However, our tax climate is not (slide above).

SB 259 takes a different approach to cutting taxes. Instead of lowering rates and figuring out how to balance the budget, the bill would allow for reasonable increases in spending and provide calculated tax cuts in high growth years, without risking state finances during times of economic downturn.

In closing, with the work of the Governor and the Legislature in 2024, we are now in a position where SB 259 is possible. Now is the time to act on putting Kansas on the radar as an attractive place to invest, work and live. We ask this committee to be visionaries and not accept mediocrity and the status quo. We can no longer be the highest tax state in our region while our peers continue to make their communities more affordable and attractive than the wonderful communities we have in our state. We respectfully ask that you support Senate Bill 259, and I am happy to answer questions at the appropriate time.