KANSAS POLICY INSTITUTE

SB 283 proponent testimony – written only
Eliminate corporate subsidies to reduce tax rates
Senate Assessment &Taxation Committee
Dave Trabert, CEO
March 5, 2025

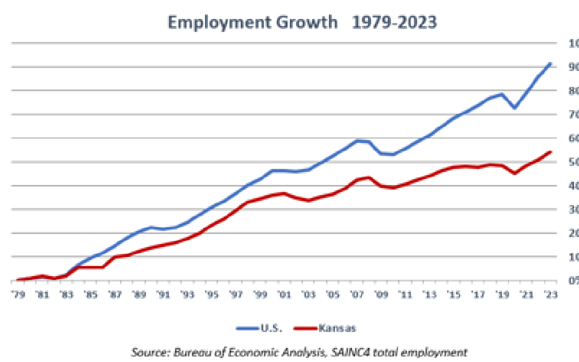
Chairperson Tyson and Members of the Committee,

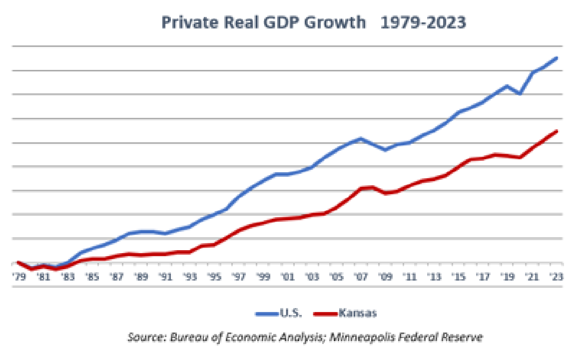
We are pleased to provide testimony supporting SB 283, which would reduce the corporate and individual income tax rates by eliminating several tax subsidy programs.

Research from the Tax Foundation shows that income taxes are more damaging to the economy than any other type of tax. Corporate income taxes are the most harmful, followed by personal income taxes.[1]

A joint paper we published with The Buckeye Institute also found that reducing the corporate income tax rate would produce the most economic benefit for Kansas relative to any other tax cut.[2]

Subsidies or other government spending will not resolve the economic stagnation shown in the charts below. Kansas must address its very uncompetitive corporate tax climate.





Research also shows that the states with lower taxes have superior economic growth.

The table below shows that the states without an income tax recorded a collective 52% increase in private-sector jobs between 1998 and 2024, while the rest of the country grew by just 21%. The ten states with the lowest state and local tax burden have a similar advantage, outpacing the ten states with the largest combined tax burden by a 37%—23% margin.

States with Lower Tax Burdens Have Superior Growth					
Description	Kansas	State Income Tax		State + Local Tax Burden	
		No	Yes	10 Lowest	10 Highest
Private Job Growth 1998-2024	12%	52%	21%	37%	23%
GDP Growth 1998-2023	199%	287%	196%	238%	202%
Domestic Migration 2000-2023	**(197,492)**	7.9 M	**(7.9) M**	4.2 M	**(10.7) M**

Source: BEA, Census, Tax Foundation

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Similar disparities also exist for GDP growth and domestic migration.

Eliminating subsidy programs is a good way to pay for tax rate cuts, partly because many of them cannot substantiate broad economic benefits. The Kansas Department of Commerce notoriously touts jobs created or saved with various subsidies, but it has been unable to provide documentation supporting its claims in response to our Open Records requests.[3]

Research also demonstrates that some subsidy programs are ineffective. A 2014 study by Nathan Jensen, then at Washington University in St. Louis, concluded that PEAK (Promoting Employment Across Kansas) recipients were no more likely to create jobs than the companies that did not receive a PEAK subsidy.[4]

The need for lower taxes is unquestionable, and the pay-for options are to reduce spending by operating more efficiently, eliminate tax subsidies and exemptions, or some combination of the two.

We encourage the Committee to recommend SB 283 favorably for passage, and we thank you for your consideration.

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[1] "Not all taxes are created equal," Tax Foundation, https://taxfoundation.org/taxedu/primers/primer-not-all-taxes-are-created-equal/#:~:text=When%20businesses%20and%20workers%20are,growth%20compared%20to%20other%20taxes

[2] "Reforming Kansas Tax Policy," Kansas Policy Institute and The Buckeye Institute, December 2023. https://kansaspolicy.org/reforming-kansas-tax-policy/

[3] "Commerce Department dodging questions about programs – again," Patrick Richardson, The Sentinel, October 24, 2024. https://sentinelksmo.org/commerce-depart-dodging-questions/

[4] "Evaluating Firm-Specific Location Incentives: An Application to the Kansas PEAK Program," Nathan Jensen, April 2014. Available at SSRN: https://ssrn.com/abstract=2431320 or http://dx.doi.org/10.2139/ssrn.2431320