



Testimony for the Kansas House Tax Committee Hearing on February 8th 2012

Chairman Carlson and Committee Members: We thank you for the opportunity to present our views regarding House Bill 2560. The Governor's objective of completely eliminating the Kansas Income Tax system is commendable and we fully support the "no income tax" objective.

Kansas is in competition with other states for economic prosperity. Economic growth is enhanced or impeded by tax and regulatory policy. Both National and State economies that penalize capital formation in the private sector do not compete well against those governments that enable Free Market forces. Taxing consumption, not income, is a proven strategy for population, GDP and employment growth. Growing GDP faster than government spending is the only viable solution to prosperity.

Many economic studies have shown that Income based tax systems have high compliance costs which consume substantial amounts of capital in both the government and the private sector. This essentially wastes those resources which could be used to produce goods and services that consumers want to buy. State governments are recognizing this impediment to economic growth and are actively pursuing major tax reform especially in the Midwest.

Reference is made to the Wall Street Journal opinion article (attached) published yesterday, February 7, 2012 "The Heartland Tax Rebellion". The article actually refers to Governor Brownback's quotation "Our goal is for our economy to look more like Texas, and a lot less like California." We applaud Governor Brownback's goals however a 10 year phase out may be too late.

Missouri also has a plan which was presented during a meeting I attended in Independence MO last week. The organization is "United for Missouri" I assure you that Missouri legislators are dedicated to beating Kansas with a "no income tax" plan. It's not just basketball where we have a border war. Those people wanted to beat me up when I suggested that Kansas was going to win the "tax reform" war.

The WSJ article further suggests that Oklahoma has the best chance to abolish the income tax. Nine states already have no personal income tax. In addition Indiana, Nebraska, and South Carolina are actively pursuing income tax reform. I don't need to remind you that Boeing is leaving Kansas for South Carolina where the new "Dream Liner" will be built, not in Wichita.

Kansas cannot afford to feel comfortable with a ten year implementation schedule. I urge this committee to consider the Triple Zero proposal soon to be introduced in this Tax committee. The bill is now in draft form in the Revisor's Office and should be ready in a week or so to be introduced for your review.

The name of our plan "Triple Zero" describes the essence of the proposal, Zero Corporate Income Tax, Zero Personal Income Tax, and zero exemptions. The Income Tax revenue can be replaced with a simultaneous implementation of the broad based consumption tax and raise enough revenue to fund the state's budget in 2014, or sooner.

I urge the House Tax Committee to consider our plan before making any decision on any plan currently before this committee. We can show that Kansas can rise in the list of business friendly states by fully implementing a "no income tax" system as soon as possible rather than ten years.

Dr. Hall in December 2011 published his very fine paper "Major Structural Deficits Looming in Kansas" He said and I quote "Absent sustained record-breaking revenues over the next decade, the budget is going off the cliff."

The Triple Zero plan is the best plan to create the environment for record breaking revenues.

We would be pleased to answer your questions.

Earl Long, President

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Attachment: WSJ Article "The Heartland Tax Rebellion" dated February 7, 2012