



**Testimony before the Senate Tax Committee**

**SB 376**

**Presented by J. Kent Eckles, Vice President of Government Affairs**

**Wednesday, March 7<sup>th</sup>, 2012**

The Kansas Chamber appreciates the opportunity to present testimony in opposition to SB 376.

We appreciate the years of effort the author of this legislation has put into comprehensive tax reform, which as the Committee knows is no simple task.

Generally, we applaud efforts to reduce income taxes. We have appeared before this committee in support of the Governor's tax reform measure this year (SB 339) and last session we appeared before you in support of House Substitute for Senate Bill 1. Simply put, reducing income taxes is not an aggressive enough approach – we must set long term tax policy that eventually eliminates income taxes over time based on growth in state tax receipts, something the two aforementioned bills we supported accomplish. This bill however does not.

We believe eliminating income taxes over time based on growth is a fiscally responsible way to reduce Kansans' tax burden. This bill on the other hand accomplishes income tax reductions in part by taxing some professional services. While we recognize the author of this bill has attempted to exempt business-to-business transactions from this new tax, it does not exempt business-to-government transactions. Our members who sell professional services to state and local units of government would automatically be placed at a 6-10% price disadvantage, which state and local units of government would then have to absorb, thus increasing pressure on the legislature to raise other taxes to make up for their increased cost of providing services.

The Kansas Chamber has a long-standing policy against such tax increases and believes this bill serves as the proverbial "nose under the tent" on taxing all professional services – particularly at the business-to-business level. Should this provision become law, some will ponder why we tax certain services and not others and thus is a dangerous road to go down because such taxes will mean thousands of lost jobs in Kansas.

There are literally hundreds of leases all over Kansas, but particularly in the border counties that stipulate the lease is null and void if the State of Kansas institutes a tax on professional services. We think it's unwise to pass such a law that would literally drive thousands of jobs out of the state.

We urge the Committee to not pass SB 376.

*The Kansas Chamber, with headquarters in Topeka, is the leading statewide pro-business advocacy group moving Kansas towards becoming the best state in America to do business. The Chamber represents small, medium and large employers all across Kansas.*

Sn. Assmnt & Tax  
3-7-12

Attachment # 10

