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Testimony on Senate Bill 376
Senate Assessment & Taxation Committee
March 7, 2012

Mr. Chairman and members of the committee, thank you for the opportunity to present testimony on Senate Bill 376.

I'm Bernie Koch with the Kansas Economic Progress Council, a statewide not for profit organization of businesses, trade associations, chambers of commerce, and individuals.

I would like to commend Senator Kelsey for his approach to tax reform. We find his proposals far less objectionable than many of the previous bills on tax reduction that have come before you. Having said that, we cannot support this legislation because of its imposition of sales tax on many services. The Kansas Economic Progress Council has had a long-standing opposition to such legislation.

In a perfect world, this legislation might work, but we live in one of 50 states that compete for business expansions and retentions. Because so much of the state's population lives near a border, adding sales tax to services acts as a deterrent to retaining the many businesses in these areas.

In particular, legal services, accounting, tax preparation, bookkeeping, payroll services, architectural, engineering and related services would suffer a disadvantage when competing with surrounding states, particularly Missouri.

For example, there are 838 establishments with a NAICS code of 5413, Architectural, Engineering, and Related Services. According to the U.S. Economic Census, they had receipts in 2007 of over \$2.2 billion in Kansas, an annual payroll of over \$827 million, and 12,266 employees.

They compete with the 1,752 establishments in Missouri that employ 21,693 people and have receipt of over \$4 billion.

In a time when Missouri and Kansas compete strongly in the Kansas City area, and there is much discussion about working together for the region rather than competing, this legislation can only add fuel to the fire.

At the same time, there may be sales tax exemptions that should be reviewed with an eye toward elimination. We comment Senator Kelsey for focusing on this issue.