

Written Testimony
Senate Assessment & Taxation Committee
SB 376, State Tax Reform
Wednesday, March 7, 2012
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Chairman Donovan and Members of the Committee:

The Greater Topeka Chamber of Commerce would like to express our opposition to SB 376, regarding state tax reform. Although we can appreciate the work Senator Kelsey has done to suggest modifications to tax policy and his willingness to adapt his plan to keep transportation, education and other core services funded, we cannot support the elimination of sales tax exemptions for professional services as provided in his tax plan.

We understand that SB 376 eliminates almost one hundred sales tax exemptions and uses the additional revenue to eliminate income tax and food sales tax, while also reducing the state sales tax rate. Instituting sales tax on business professional services will make our state's businesses less competitive. We recognize the intent of the bill is to exempt business to business transactions, we are, however, concerned the actual outcome may not accomplish the intended goal. We are concerned that given time business to business exemptions could be lifted. We are also worried that by adding a sales tax to professional services, the state may jeopardize the future use of Kansas professional services by customers located outside Kansas. Companies bidding to provide services outside the state, alongside competitors from other states, will have an automatic disadvantage due to the additional costs for Kansas sales taxes.

As we consider the future and inflation, government costs will increase, Kansans will likely experience increases in state tax rates to fund state operations should this bill be approved. Limiting state revenue sources may cause the growth of state imposed fees and new types of taxes. Increasing sales tax rates may cause Kansans to shop for items and services in surrounding states.

The Topeka Chamber supports and appreciates legislative efforts to reduce taxes as long the state maintains and funds core services necessary to the citizens of Kansas. We are concerned with tax policy changes that divert funding dedicated to core services such as transportation. We are concerned when artificial caps are placed on state taxes or revenues, replacing the responsibility elected officials have to determine adequate funding for state services. We are concerned when one level of government pushes governing cost to another level of government. Growing our state's economy must include the realization that there are common needs throughout our state that require the financial support of the population within our state. Reasonable tax sources that do not unduly burden businesses or individuals are acceptable for services citizens and business expect from state government. We respectfully ask that SB 376 not be approved. Thank you.