



Testimony in Support of HB2047
Mr. Daniel Murray Kansas State Director: NFIB
House Taxation Committee
January 29, 2013

Good afternoon Chairman Carlson and members of the Committee. My name is Dan Murray and I am the State Director of the National Federation of Independent Business/Kansas. NFIB is the state's leading small business organization representing small and independent businesses. A non-profit, nonpartisan organization founded in 1943, NFIB represents the consensus views of its roughly 4,000 members in Kansas.

I am pleased to be here in strong support of HB2047 because it adds transparency and accountability to the property tax valuation process. HB2047 would require that if the total taxable real property valuation in any municipality increases as a result of increases in the assessed valuation of existing real property, then the governing body would be required to lower the mill levy rate, unless a majority vote of the taxing district governing body approves an increase.

NFIB fights for small business tax reform because we know that a complex tax code and burdensome rates are among the biggest challenges facing small business owners. According to the most recent NFIB *Small Business Problems and Priorities* survey, property taxes (real, inventory, or personal) ranks as the ninth worst problem for small business among 75 major concerns listed.

As you can see, small businesses are concerned about the rate of property taxation. High tax rates, whether property or income taxes, are a problem for small businesses because they siphon off the income that owners need to invest back in their business to assure its viability and growth as a creator of jobs. We support low tax rates so that small business owners keep more of their money to reinvest in and grow their business. HB2047 assures that the governing body carefully considers the rate of property taxes and what impact any rate increase might have on local small businesses.

Further, we believe that this bill should reduce some of the property tax complexity and compliance costs for small business. Tax complexity is a problem for small businesses because spending time and money on tax compliance drains financial resources, and most small businesses lack or are unable to afford an in-house tax or finance department, forcing owners to handle the task of compliance or requiring expensive professional assistance from an outside accounting or appraisal firm. In fact, the Small Business Administration found that the tax compliance burden is 67 percent higher for small businesses than large businesses. Annually, small business owners spend nearly 2 billion hours and \$18 to \$19 billion complying with the tax code (federal, state and local). Tax paperwork is the most expensive paperwork burden the government places on small businesses—\$74 per hour. We hope HB2047 will make the process more clear and thereby reduce the number of appeals, saving small business compliance costs.

Finally, HB2047 addresses our concern that property taxes, through increased assessed valuation, can increase, in the dark of the night, the tax burden on small business. This bill, we believe, will shine some light on the property tax process.

Again, we support HB2047 and urge its passage.