OVERLAND PARK
KANSAS
CHAMBER OF COMMERCE

Written Testimony in Opposition to House Bill 2110

House Taxation Committee
Wednesday, February 6, 2013

Mr. Chairman and House Taxation Committee Members:

My name is Jennifer Bruning, and I am Vice President of Government Affairs with the Overland Park Chamber of Commerce and Economic Development Council. I am submitting written testimony today in opposition to House Bill 2110 on behalf of our Board of Directors and our nearly 1,000 member companies.

Our members support a balanced and reasonable approach to tax reform that provides and enhances a positive business climate and strong quality of life. This tax proposal follows last year's passage of a tax bill which created our budget deficit; we do not feel that this proposal will achieve the desired objectives of creating a strong foundation for economic growth or quality of life for which Kansas is known. Below is our analysis of and reasons for opposition to several elements of HB 2110:

- The OP Chamber/EDC is the economic development organization for Overland Park, and we are on the frontline of recruiting, expanding and retaining businesses in our region. Even through the recent devastating recession, our economic development efforts have been extremely successful. Last year the OPEDC worked in partnership with the City of Overland Park to successfully create or retain over 4,000 new jobs in our city**. These businesses relocating or expanding in Overland Park told us that it is not tax policy alone that influences their location/expansion decisions, but it is a blend of major components that include access to highways, the quality of the workforce, quality of our K-12 and higher education systems, good infrastructure, and the quality of life in the surrounding community**. Because of the budget issues in Kansas, we are already hearing concerns from the business community and site selectors regarding the potential decrease in these quality of life amenities in our state which previously have made us so popular for job attraction and retention.

- The OP Chamber made the very difficult decision over two years ago to support a **temporary** revenue enhancement through the one-cent sales tax so that essential government services would be adequately funded after years of devastating cuts. Knowing that both current state revenues and projected FY14 revenues would have been more than sufficient to adequately fund these core services had the income tax rate reductions not been instituted this year, we cannot support a tax plan that does not sunset the six-tenths sales tax increase in FY13 as promised, and retain the four-tenths for transportation.
- Our Chamber has a long-standing position against any restrictions of legislative authority regarding taxing or spending, including revenue/spending lids like the one proposed in HB 2110 which uses a 4% revenue growth trigger mechanism to eventually eliminate the state income tax. This proposal does not factor in inflation, and it can inhibit the sustainability of core government services like education, Medicaid, social services and KPERS.
- As a border community, and as a key economic engine of the State generating over one-third of the state's economic growth, Johnson County must have stability and balance in its tax structure. If we are to further narrow our state's tax base, we become more susceptible to wide swings in our tax collections when specific segments of the economy experience downturns.
- The PEAK program has been an extremely successful and effective economic development tool for Kansas and the Johnson County region, resulting in thousands of new jobs and capital investment in the State. As PEAK relies solely on individual income taxes for funding, we are concerned that the proposal to eventually eliminate that tax may detrimentally affect PEAK use and future job creation incentives.
- While we do not argue with the appealing nature of income tax reduction, we would like to see evidence of the proposed positive correlation between the lowering of income taxes and an enhanced rate of economic growth and substantial job creation. A March 2011 study done by The Missouri Budget Project states, "There is no consistent relationship between state income tax and state economic growth. In fact, between 1997 and 2009, the states that rely on an income tax, on average, obtained a state product growth rate that was substantially similar to the average growth rate seen in the non-income tax states."
- In a community survey of Johnson County voters last year, the vast majority (66%) of voters said they were not willing to trade lower income taxes for reduced state services, a scenario very likely under our current budget and this proposed budget scenario. (Johnson County Community Scan, Public Opinion Strategies, Neil Newhouse, Jan. 2012).

For the reasons state above, we respectfully urge you to oppose House Bill 2110. Thank you for your consideration.