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The Honorable Les Donovan, Chair
Senate Assessment and Taxation Committee

Re: SB 78: An Act Concerning Taxation

Good morning Chairman Donovan and members of the Senate Assessment and Taxation Committee. My name is Gerald Schmitt and I am Volunteer Advocacy Coordinator for AARP Kansas. AARP represents more than 337,000 members in Kansas. Thank you for this opportunity to submit our comments on their behalf.

AARP is the largest nonprofit, nonpartisan organization representing the interests of Americans age 50 and older and their families. Assuring that 50+ Americans are financially secure is a key component of our advocacy agenda. AARP asserts that we all have a right to be self-reliant and live with dignity in retirement.

I'd love to be addressing the committee under better circumstances, but unfortunately AARP opposes Senate Bill 78. The timing of this hearing is apropos, as we seem to be having a "groundhog day situation." As you are all aware, last year the Governor proposed and signed into law sweeping and regressive tax changes that left our state facing a hefty budget shortfall. Today, we're back at it again. This bill does not move our state forward; instead, SB 78 inhibits the investments we need to make in our state's future.

We all know that there's no free lunch—someone has to pay for these tax cuts. It looks increasingly as though those dollars could come not only from further cuts to education and home

and community based services, but largely out of the pockets of lower and middle income Kansans.

Senate Minority Leader Hensley has said as much himself: “[this plan] in reality is a tax shift onto the middle class...to benefit wealthier Kansans and, of course, corporations.”

I’d like to reiterate the basic principles underlying AARP’s tax policy: reforms made to state tax structures should be equitable and safeguard the financial security of the 50+ population. As you debate this bill, I ask you to remember that there are 1.1 million hungry households in Kansas, with 9 percent of our state’s seniors living in poverty. Governor Brownback’s plan does not address the needs of this population and unfairness in the tax code.

We believe that state and local tax systems should follow the guiding principles of equity, neutrality, administrative efficiency, and consistency with broader social goals. Tax systems should be structured around an individual’s ability to pay. Senate Bill 78 disregards this core tenant, with only two tax brackets and steep income tax cuts for the wealthy.

Governor Brownback’s plan would also retain higher sales tax rates, without giving relief to people for purchasing staples like groceries. Hard working Kansans will continue to pay more of their income when purchasing clothing or food. AARP’s sales tax policy states that sales taxes are regressive, as low income earners spend a higher a proportion of their income on these taxes. Furthermore, high income earners are more likely to be users of services, which often go untaxed. Legislators should minimize the impact of sales taxes on low-income individuals, particularly with regard to indispensable items such as food and medicine.

We do agree with the Governor on one thing, though: changes to the tax code are about jobs and the economy. The plan, as proposed, would cut personal income taxes by \$1.8 billion over five years, according to legislative research. That’s not just money that can pay for roads and bridges,

classrooms and textbooks – it represents jobs. Jobs for the people who build roads, serve in our schools, and police our streets. Although the Governor’s office intends to replace some of those funds, the effects of this individual bill should not be disregarded, particularly in light of the volatile economy. Investments in human capital are vital in order to retain and attract the best talent, and must be a part of any tax plan passed by the Kansas Legislature.

Senate Bill 78 foregoes the long-term well-being of middle- and working-class Kansans in favor of *potential* short-term economic gains. Our state needs to nurture several attributes to attract and grow business: a well-educated workforce, sound roads and bridges, and safe communities.

This bill provides for none of those things – but is likely to cause new budget gaps and cuts.

Based on the estimated costs of this proposal and the unequal burden it would place on low- and middle-income residents, many of whom are 50 or older, AARP Kansas opposes SB 78. This tax plan will hurt average Kansans and slow our economic growth, all while giving huge new tax breaks to those who aren’t in need.

Thank you for the opportunity to offer our written comments. We respectfully request your opposition to SB 78.