



Testimony to House Taxation Committee
HB 2434 Income Tax Increase
May 19, 2015
Dave Trabert, President

Chairman KleeB and members of the Committee:

We appreciate this opportunity to provide testimony in opposition of HB 2434, which would unnecessarily increase income taxes on many employers.

The rationale for HB 2434 cannot be that there are no other options to balance the budget; this Committee heard other options last week and there are also options to increase revenue and reduce the cost of government that have not been considered.

The rationale for HB 2434 cannot be that it would be good for the economy. The intent of income tax reform was to reverse long term economic stagnation trends and while it is still early, that's exactly what is happening so far. See the Appendix at the end of this testimony for examples.

Reversing course on one of the key components of the tax reform plan will negatively impact economic growth and send a message that the business community cannot rely on Kansas tax policy being predictable. Ironically, those who deny that the economy has improved since tax reform would have to accept responsibility for any slower growth, as it certainly could not be blamed on a tax plan that they voted to largely reverse.

By the way – and with all due respect to Representative Hutton – estimating tax savings on adjusted gross income makes it impossible to know the amount by which taxable income was reduced by businesses' investing more into their business in new employees, marketing or services.

The rationale for HB 2434 cannot be a matter of fairness, as this committee has expressed no interest thus far in other tax fairness issues.

- KPERS retirees have been exempt from paying income tax on the majority of the pensions for decades. Indeed, an exemption was added in 2013 for retirees of Overland Park police and fire (see exemption xxiii on page 9 of the bill).
- Commercial and Industrial real estate is taxed at 117% of the effective tax rate on residential real estate, and some real estate is exempt from paying property tax.
- Reversing course on those who moved their families and businesses here as a result of tax reform is certainly not fair to them. And wouldn't it be interesting to hear those who said it was unfair not to give schools extra money explain how it is fair to take something away from those who moved here in good faith?

The only reason left, it seems, is politics. Voting to reverse a key component of tax reform might seem like it would appease some people, and it is certainly your prerogative to do so. But let's at least acknowledge that this bill will negatively impact the economy, it's unnecessary and it surely isn't about fairness. We oppose HB 2434 and encourage the Committee to reject it.

Appendix – Economic Growth Trends Improving Since 2012 Tax Reform

Private Sector Job Growth and Rankings						
State	1998-12 Growth	2013 Growth	2014 Growth	1998-12 Rank	2013 Rank	2014 Rank
Kansas	2.2%	1.6%	1.9%	38	27	21
Missouri	-1.0%	1.3%	1.2%	44	35	39
Nebraska	9.8%	1.4%	1.4%	17	31	33
Oklahoma	8.5%	1.6%	1.5%	19	26	26
Colorado	10.6%	3.1%	3.8%	15	5	3

Source: Bureau of Labor Statistics, average annual jobs seasonally adjusted

Private Nonfarm Earnings (subsector of Personal Income)				
Geography	Growth Rate		KS Competitive Rate	
	1998-12	2012-14	1998-12	2012-14
Kansas	67.1%	9.5%		
Missouri	55.8%	7.6%	120%	124%
Nebraska	79.7%	7.7%	84%	121%
Oklahoma	106.0%	9.1%	63%	98%
Colorado	81.0%	11.5%	83%	98%
50- State avg.	69.3%	8.7%	97%	118%

Source: Bureau of Economic Analysis

Personal Income				
State	Percent Change		Rank	
	1998-12	2012-14	1998-12	2012-14
Kansas	78.2%	5.67%	33	24
Missouri	70.8%	4.88%	44	35
Nebraska	90.1%	3.97%	20	43
Oklahoma	109.8%	5.90%	5	20
Colorado	96.5%	8.59%	13	3
50-state average	82.8%	6.03%		
Ten lowest S&L tax burden	102.6%	7.19%		
Ten highest S&L tax burden	80.4%	5.78%		
States w/Income Tax	78.8%	5.65%		
States w/o Income Tax	101.2%	7.50%		

Source: Bureau of Economic Analysis, Tax Foundation rankings of state and local tax burdens