



1516 N Davis Ave
Ottawa KS 66067
Phone: 785-242-5035
Fax: 785-242-2118

1415 S 6th St
Burlington KS 66839
Phone: 620-364-2151
Fax: 620-364-8062

February 16, 2016

Testimony in Support of HB 2626 Before the House Taxation Committee

Chairman Rep. Marvin KleeB
Vice Chairman Rep. Gene Sullentrop
Ranking Member Rep. Tom Sawyer

Honorable Chairman and Distinguished Members of the Committee:

Medicaid and other forms of government funded subsidies that are used to provide sustenance for 15% to 20% of the population are no longer sustainable. The concept of having a substantive per cent of a population reliant upon income and other resources that have been provided to them through redistribution of income by taxation on a massive scale is a relatively recent development in the course of thousands of years of history of mankind. The need to exert oneself to sustain oneself is wired into human beings and has been for thousands of years. Medicaid and other similar types of programs, though very well intentioned, have inadvertently caused a significant portion of the population to become "rewired" from what is the natural state of having to exert oneself to sustain oneself.

Governmental entities that have the power to levy taxes are strictly bound by the defined boundaries of a city, a county, a state, or a country. In stark contrast, the market capital system which is the hallmark of this country is not bound by geographic boundaries.

Capitalism, by its nature, must pursue the most cost-effective labor source without regard to the geographic boundaries within which all governmental entities that are empowered to levy taxes must operate. And, by its nature, capitalism cannot passively absorb continuously escalating costs of big government programs that are funded via redistribution of income through taxation. Regardless of the very good intentions of these types of programs, gradually over time, they are not sustainable within the inherent vibrancy of natural market forces. Those entities that create jobs will naturally adapt to methods &/or gravitate to locations where they can effectively compete.

People who do not have jobs do not pay taxes. People in foreign countries who now hold jobs that were previously held by American citizens are not paying taxes in the United States. Many, though not all, of those jobs that have been outsourced to other countries could just as easily be brought back to provide income earning opportunities to people who have become reliant on various forms of government funded subsidies for their sustenance. That is the goal of HB 2626.

However, without substantive tax-incentives to do so, there is no reason, in a capitalist system, to keep paying ever increasing labor costs when more cost-effective labor is in ample supply beyond our national borders. To this end, HB2626 is being proposed. It is unique in that it has the potential to change the paradigm of over-reliance upon Medicaid and other types of so-called "big government



1516 N Davis Ave
Ottawa KS 66067
Phone: 785-242-5035
Fax: 785-242-2118

1415 S 6th St
Burlington KS 66839
Phone: 620-364-2151
Fax: 620-364-8062

programs” which have become unsustainable over time due to naturally occurring converging market forces. HB2626 introduces the concept that every person who is reliant upon government subsidies for their sustenance bears a measurable “*tax weight*”. Every person’s measurable *tax weight* can be measurably decreased by transitioning from dependence to wage earning independence, hence the “*tax weight loss act*”.

No person can reasonably be expected to reduce their “*tax weight*” without a way to earn enough income to decrease their reliance on government funded subsidies. Many, but not all, people who are reliant upon government subsidies for their sustenance have valid reasons for not being able to perform work at levels typically expected. For example, many people with intellectual &/or developmental disabilities have excellent work ethics but might not be able to effectively compete in a manufacturing setting where standardized production outputs per worker are required. Such a person might not be able to reduce their “*tax weight*” by 100%. Nonetheless, every dollar of decreased reliance counts.

Nor, can an employer be expected to absorb the cost of an underperforming worker. Given that the employer is already spending money in the form of taxes to support people who are reliant on government subsidies, it makes sense to reroute, to the greatest extent possible that portion of their tax payments that would be allocated to paying for others’ subsistence, directly to the employment of those individuals, thus reducing their “*tax weight*”. In essence, to some extent, this would be analogous to removing government in its role of being the middleman. Unlike some tax incentives, HB2626 has the potential to gradually generate new tax revenues by enabling those who bear a “*tax weight*” to generate income to become tax payers.

HB 2626 is an attempt to incentivize private businesses to employ those who are currently partially or wholly dependent on government subsidies or entitlements. In exchange for hiring those individuals or entering into contracts with firms that employ those individuals, private enterprise can provide meaningful employment that reduces the “*tax weight*” of those new employees. In exchange the business receives tax credits and sales tax exemptions that make providing that employment work financially.

Measurability is essential to HB2626. Even if, to begin with, only a relatively few number of people who are tax-subsidy-reliant choose to participate, the data collected would empirically demonstrate whether or not the simple underlying hypothesis of the *tax weight-loss act* holds true. Assuming that it does hold true, there would be absolutely no reason that almost every person who has become reliant upon government subsidies, could not be expected to exert themselves to decrease in varying degrees their reliance upon government subsidies for their sustenance.

We understand that this is a relatively new and somewhat radical departure from tax policy as it has been in the past. If HB 2626 constitutes too great a leap, we respectfully request the committee consider amendments to reduce the scope or size of the program. However, we also request that at the very least, the program be tried. Even if only as a pilot in one or two locations, we believe the idea



1516 N Davis Ave
Ottawa KS 66067
Phone: 785-242-5035
Fax: 785-242-2118

1415 S 6th St
Burlington KS 66839
Phone: 620-364-2151
Fax: 620-364-8062

behind HB 2626 has great potential to free people from poverty, keep productive work here in Kansas, and ultimately lessen spending on subsidies and entitlements that keep people from the nobility of work. HB 2626 represents a real, workable attempt to provide a hand up for those in poverty and a way forward for our state.

Chris Patton
CEO
COT Training Services