

Finney County Economic Development Corporation



HB2444 TESTIMONY BEFORE THE HOUSE COMMITTEE ON TAXATION LONA DUVALL, PRESIDENT/ CEO FINNEY COUNTY ECONOMIC DEVELOPMENT CORPORATION March 15, 2016

Chairman KleeB and Members of the House Committee on Taxation,

Thank you for including this written testimony on behalf of Finney County Economic Development Corporation in support of House Bill 2444.

Finney County and Garden City have experienced significant growth over the past several years. That growth has been diverse and includes manufacturing, food processing, logistics, health care, housing, retail, and dining. We have been successful in attracting these private investments because we have progressive and forward-thinking elected bodies and have worked diligently to meet the needs of new industries.

The tax exemptions approved by the Kansas legislature in 2012 have had negligible effects on our ability to recruit and retain businesses. We have never-either before or after 2012-had a prospect who identified state corporate income tax rates as a determining factor in their decision to do business in our community. Businesses have indicated that their decision to do business in our community has been most influenced by the following:

Infrastructure needs: Our local governments have been very proactive in investing in the infrastructure improvements necessary to support new and existing industry. Unfortunately, their ability to do so is now being threatened by the Kansas legislature. Because of diminishing fiscal resources at the state level (much of which has been caused by the tax cuts of 2012), many services have been pushed down to local governments for provision. These mandated services are costly and place undue burdens on local governments which makes it difficult to invest in progressive and aggressive development strategies. Their ability is further hampered by unnecessary legislation introduced in the senate that limits local governments' ability to pay for such infrastructure, namely SB316.

PEAK/ HPIP (Promoting Employment Across Kansas/ High Performance Incentive Program):

These two programs incentivize businesses that create jobs and invest capital in the state of Kansas. These types of incentive programs require that the incentivized

businesses actually perform in order to receive funds. While these programs work well for medium to large projects, they are not as usable for smaller endeavors. If the state truly wants to improve its ability to attract new businesses, it would be wise to review these two incentive programs and alter them in ways that would make them applicable to a wider array of projects.

Obviously, as economic developers, it is far more important to have the ability to meet infrastructure needs and to have incentives in place that encourage (require) the performance of the business if we are to continue to grow the economies of our communities and of our state. Further, all of us understand that the economy is a very complex, interconnected machine. We enjoy a very low unemployment rate across most of western Kansas. This is a positive factor for those who reside here now, however it requires that we creatively and aggressively work to attract new residents to the area in order to meet the needs of our fast-growing economy. When tax burdens are shifted from businesses to individuals, it becomes more difficult to attract new residents to our state.

The stated purpose of the tax cuts of 2012 was to improve business attraction and to allow existing businesses to create new jobs and invest more capital in Kansas. While some businesses have undoubtedly made those investments, most have not. There is no mechanism in place that requires them to perform in order to receive these tax incentives. As an economic developer, if I granted an incentive of this sort to a business in my community, it would be considered reckless and irresponsible. We offer no incentive that does not directly correlate to the business performing to a pre-determined set of benchmarks.

To summarize, the tax breaks of 2012 have not proven to be a business recruitment, retention, or expansion tool in our community. The financial fallout as a result of losing these revenues at the state level has only served to shift responsibilities to the local level and to reduce the resources available to build critical infrastructure that is necessary for true, sustainable growth. For these reasons, we strongly support reinstating business income tax in the state of Kansas. In our experience, so long as that tax rate is comparable to other states in our region, it does not create a hurdle in the recruitment of new businesses.



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