



April 28, 2016

Testimony in Opposition of SB 508

Chairman Donovan and Members of the Committee:

On behalf of Americans for Prosperity activists across Kansas, thank you for this opportunity to voice our opposition to SB 508. This bill would reverse the progress that Kansas has made toward reducing the tax burden on Kansas small businesses.

The tax reforms of 2012 gave tax relief to Kansas families, and incentivized small business creation. The results are clear: There are more Kansans employed now than any time in our state's history. In fact, there are 22,774ⁱ more Kansans working this month than a year ago and 12,843 more Kansans filed tax returns last year than filed in 2012ⁱⁱ.

In 2015, Kansas set another record for business creation. Increasing taxes on Kansas small business investors would reverse this positive trend. In the same way higher taxes on alcohol or cigarettes will reduce smoking and drinking, higher taxes on small business investment income should be expected to reduce small business investment.

SB 508 misses the underlying problem in state finances: State spending has historically continued to increase faster than inflation.

Total FY15 SGF revenues were up 1.3% over 2014 revenues. Revised estimates for 2016 revenue are projected at 2.4% above 2015, and 2017 revenue is expected to increase another 1.3% above FY16ⁱⁱⁱ. The Kansas Legislature did not reduce overall state spending last session. The final budget 2016 budget had \$69 million more in spending than FY2015, which was \$269 million more than FY2014.

The current small business tax exemption is available to any Kansan willing to take a risk and start or invest in a small business. Unlike other state and local economic development

incentives, it is not geared to large or well-connected businesses, require a specific size of investment, nor does it need administrative approval in Topeka or City Hall.

Kansas has added thousands of new businesses, and has tens of thousands more Kansans working. The 2012 tax reforms are benefitting Kansas businesses, and the Kansas job market. Now is not the time to reverse the progress made by the 2012 tax reform package.

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ⁱ Kansas Dept of Labor. Kansas Labor Market Report. March 2016

ⁱⁱ Internal Revenue Service Data Book 2012 and 2015

ⁱⁱⁱ KLRD. *State General Fund Revenue Estimate for FY 2016 and FY 2017*, April 20, 2016