

Testimony HB 2023 for House Taxation Committee, January 19, 2017
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Members of the House tax committee, I'm going to be blunt the problem is not LLCs (and equivalent entities) it's the fact that we have a state favor factory, that would be you, that uses an alphabet soup of tax incentives which are destroying our tax base by giving **ENORMOUS** tax breaks to the very favored and very few, such as the 10 year 100% property tax abatement for TransCanada pipeline or the 100% property tax exemption for every alternative energy project from solar to wind to ethanol production facilities in the State of Kansas, some do have payment in lieu of tax, but at a much, much lower rate than what the state and local taxing districts would normally collect. Or how about that 170 companies enjoy over \$500 million annually in tax incentives through our HPIP program. It's stunning but factual according to 2014 published numbers that 170 companies are blatantly given over a half of billion dollars of public money each and every year. All of these tax incentive schemes causes the burden of costs of our state and local governments to be redistributed to the rest of the tax base.

By focusing in on LLCs, you are choking on a gnat and swallowing a camel. Your attention has been diverted from the underlying swamp of blatant and entrenched crony capitalism. Can you imagine that a developer in Overland Park has requested over \$600 million of tax incentives, the taking of money from the many and giving it to the few, on a \$1.8 billion dollar project? This project will pay no sales taxes on any of the material that it purchases, undercutting sales tax revenue, the developer is asking for 90% of the increase in property taxes to be diverted back to his pocket, undercutting property tax revenue and sales tax revenue generated within the Star Bond and TIF district to go back to the pocket of the developer. One developer, \$600 million of public dollars going to tax incentive and this is your tax policy.

Shockingly even though a 2012 Legislative Post Audit reports show how ineffective tax incentives have been, now 5 years later nothing, nothing has been done to slow the use of tax incentives, actually the opposite is happening their use have accelerated and as an example Star Bond districts are popping up like dandelions in May.

Another shocking fact is the makeup of establishment's coalition, which strongly supports and allows this destructive policy of crony capitalism to flourish in Kansas. This is the one place Moderate Republicans and

Democrats and a few, regretfully, Conservative Republicans agree and strongly align themselves with Governor Brownback's crony capitalist agenda. And now for political theater, this same general coalition has picked LLCs as the whipping boy while ignoring the 1,000 pound guerrilla in the room, tax incentives for the very favored and very few.

One other fact I want to emphasize: in Johnson County, not one school district has vetoed any TIF districts formed in our county. Likewise our county commission refuses to even publicly review any TIF districts much less bring veto any TIF districts. Why, across the political spectrum are these crony capitalist schemes supported and encouraged? It's beyond my comprehension. School districts in particular, screaming about lack of funds how can they then allow and encourage tax dollars to be diverted from their coffers to the pockets of the favored few?

It's astounding to see welfare for the millionaires get by without any criticism, while the mom and pop LLCs, which are the vast majority, are put on the chopping block to erase the last ray of hope for the elimination of income tax for everyone in the State of Kansas.

Simply stated tax incentives from TIF and Star Bonds to HPIP and PEAK, these "economic tools" touted by Governor Brownback's Commerce Department along with counties' and cities' economic development schemes have taken us just plain ordinary folk for fools.

In this Legislative session every Kansas House and Senate member who refuses the work of eliminating the alphabet soup of tax incentives along with finding efficiencies to fund our budget shortfalls are part and parcel of Governor Brownback's coalition to protect millionaires' welfare, the wealthiest of the wealthy while throwing the small potatoes under the bus.

All of you as members of this House Tax Committee can easily access the roster of the millionaire welfare alphabet soup by going out to the Kansas Department of Commerce, the link I have provided in the hard copies you have of my testimony:

<http://www.kansascommerce.com/index.aspx?nid=93>

In closing the 2012 House vote tally for the extension of the Star Bond sunset in the House was 92 yeas and 31 nays, one of the nays was my vote. The 2012 vote on the Star Bond extension clearly shows the makeup of this bizarre cabal of crony capitalists. Although many of the players have changed the political mix of the coalition has not. It remains the same sad tale for the people of Kansas: the poorest of the poor

subsidizing the wealthiest of the wealthy. We can do better, but it will take your willingness and hard work to dismantle this disgrace of crony capitalism in the State of Kansas, which will then enable you to unshackle all Kansans from the yoke of state income tax.