

George Lay Signs Inc.

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January 19, 2017

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Mr. Chairman and members of the Taxation committee:

My name is John Lay, and I am President of George Lay Signs Inc. in Wichita. With our 25 employees, we build, install and repair electric signs for businesses in Wichita and the surrounding area. We also operate billboards in 36 counties. My dad started the business 62 years ago. He has been gone 25 years, but one of his adages I remember is "there are lots of worse things in life than paying taxes, and at the top of that list is not having the income to pay the taxes on".

We are organized as a Subchapter S corporation, so 25 years after George's passing, most of the income from George Lay Signs Inc. passes through to my 87 year old mother, with the remainder passing through to myself and other family members.

Like anyone else, I'm all for paying less taxes, but I don't think the current system in Kansas is fair to all of its businesses and citizens. My accountant was perplexed that we have a system where his partnership income from the firm is not subject to Kansas income taxes, but the wages for their receptionist, staff accountants and the janitor are taxable.

When I consider new investments in our business and how those will affect income taxes, I always consider the income tax consequences at the FEDERAL level, then the state taxes follow accordingly. For every \$5 of federal taxes, I'm likely to owe \$1 to the state. So I always make business decisions based on the big piece of the pie – not the small one. In recent years, the primary tax policy that has influenced our investment in new equipment has been the Federal Bonus Depreciation rule that allows us to reduce our taxable income based on investment in new equipment. I don't even consider the Kansas pass through exemption in these decisions.

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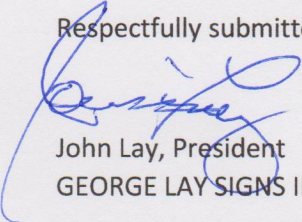
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The current tax plan was touted as one that would spur businesses to grow. But my experience is that when our business income taxes are being paid at the personal level, that doesn't directly impact the balance in the company's bank accounts, and that's where the investments in new equipment, and the payroll checks come from. For our company, the largest beneficiary of Kansas current tax policy is my mother, who isn't involved in any of the business investment and employment decisions.

In 2015 and 2016, our company invested over \$500,000 in new trucks, equipment and building improvements. This money came from the business's bank account – not from the shareholders' bank accounts. When I look back to 2012 when the current tax plan was adopted, we had 22 employees, and today we have 25. I attribute this increase to responding to the demand for our products and services, not to lower state income taxes. The statistician would say that our employment is up 14%, and the economist would say we created 3 new jobs. But in my world, we added employees as we sold more signs, not because we set out to create jobs.

Our business is very different today than when I joined the business 38 years ago. Many of our local competitors from 1979 are out of business. We have succeeded because we have evolved our products and services to meet what our customers want in 2017. As we provide the products and services that our customers want to buy, we will hire employees and invest in new equipment. Perhaps some economists will claim that our hiring and investment follows State tax policy, but I will attribute our survival and growth to making sound business decisions and responding to market demand. Thank you for your time and consideration to my views.

Respectfully submitted,



John Lay, President
GEORGE LAY SIGNS INC.