

## **House Committee on Taxation**

**Thursday, January 19, 2017**

Nathan Bainbridge

Vice President of B&C Specialty Products, Inc.

Good afternoon Mr. Chairman and members of the committee,

My name is Nathan Bainbridge and I am here to testify in opposition to HB2023. I am the Vice President of my family's small manufacturing company in Newton, B&C Specialty Products. We design and manufacture aircraft electrical components for general aviation.

Any business that wants to remain competitive in today's marketplace must constantly become more efficient and innovative. In order to achieve these goals it must invest in newer, better equipment and skilled, capable employees. It is the constant struggle of successful businesses: to get better at what you are doing.

However, many have a serious misconception about how financing in a pass-through business entity works. Some assume that all the profits are taken home by owner of the corporation. But in order to build up savings to make large investments in equipment and new employees, a business owner often decides to leave the after-tax income in the business as retained earnings. HB2023 would significantly hamper Kansas businesses' ability to do so by extracting a significant percentage of those potential savings. This policy would significantly reduce our ability to compete internationally, not to mention competitors in nearby states.

Here's one specific example from our business. We have identified several product development opportunities which could significantly grow our business. But in order to bring those ideas to market, we will need to hire a full-time electrical engineer. We have been working to build our retained earnings to be able to invest in these projects and create a new, high-paying job. We are currently on track to do achieve this goal in 2017. But if HB2023 becomes law, especially with the retroactive provision, our ability to accomplish this will be delayed. Meanwhile, our competition has more time to beat us to market and hire talent away.

Our business's most valuable resource is its employees. And what does one do with an incredibly valuable resource? You invest in it. At our company, we invest two to five hours every week in training for every employee. Sadly, tax policies such as those contained in HB2023 will encumber our efforts to invest in our employees.

On behalf of hard working Kansans across the state, I implore you to oppose this bill.