

January 13, 2017

Mr. Steven Johnson
Taxation Committee

Re: Sub S/ LLC Tax Exemption

Dear Mr. Johnson,

Please accept this letter as information regarding the Sub S/LLC Tax Quandry.

We are a small Plumbing Mechanical Business in Western Kansas (50+/- Employees Approximately \$12,000,000.00 annual business volume.) We are baffled with the Math behind the tax exemption. We are told that the exemption would lead to increased employment and a broader tax base.

We look at the actual math as follows:

1. New Employee \$20.00/hour (Plus about \$8.00/hour Benefits)
 $\$20.00/\text{hour} \times 40 \text{ hours/week} \times 52 = \$41,600.00/\text{year}$

$$\$41,600.00 \times 2.8\% \text{ State Income Tax} = \$1,200.00 (+/-)$$

2. Annual Company Business Volume \$12,000,000.00
A Business such as ours should be able to yield a Net Profit of 5%.

$$\$12,000,000 \times 5\% \text{ Net Income} = \$600,000.00$$

Our Accounting Professionals using their magic should be able to get us into a 30% Tax Bracket.

$$\begin{aligned} \$600,000.00 \times 30\% \text{ Federal Income Tax} &= \$180,000.00 \\ \times 0\% \text{ State Income Tax} &= \$ 0.00 \end{aligned}$$

3. In our previous Tax System we would have paid the State about \$28,000.00 (+/-).
4. So we would need to create somewhere around 20 plus New Jobs to offset the income tax we avoided. Now we know that there are other benefits of additional employees - so cut the number of our employees in half. Now we need 10 more employees. These New employees need to come from beyond Kansas, not just be reshuffled among existing employers.
5. In our industry, an employee needs to generate approximately \$250,000.00. If we add 10 new employees, we would need to increase our business volume by \$2,500,000.00!! That level of business is not available.

We need to stop the Financial Bleeding

I would love to testify personally but I am using my tax exemption to play Golf in the Sun!!

Thank you,

R. L. Kreutzer

