

House Committee on Taxation

Opposition to House Bill 2178- Increasing income tax rates, growth trigger

Presented by Eric Stafford, Vice President of Government Affairs



Thursday, February 2, 2017

Mister Chairman and members of the committee, my name is Eric Stafford, Vice President of Government Affairs for the Kansas Chamber. The Kansas Chamber appreciates the opportunity to testify in opposition to House Bill 2178 which increases personal income tax rates retroactively to January 1, 2017 and eliminates the “ratchet” used to lower income tax rates through growth in state receipts.

Our 2017 legislative agenda adopted by our board of directors continues to support efforts to lower, and eventually eliminate, personal income taxes. The growth trigger found in K.S.A. 79-32,269 calls for a reduction in income taxes computed by the secretary of revenue when SGF receipts from the preceding fiscal year increase by more than 2.5% less increases in payments to KPERS. Eleven states plus the District of Columbia have passed some form of growth trigger used to lower taxes through growth in tax receipts.

These growth triggers vary widely. Some are in the state constitution, some are given back through tax credits, some offer temporary reductions in income tax rates. Some focus on corporate and franchise fees, while others such as Kansas focus on personal income taxes. The Kansas growth trigger is structured to first eliminate personal income taxes through growth, followed by corporate income tax and then then privilege tax.

HB 2178 proposes to freeze a statutory rate reduction on the lowest income tax bracket at the current level of 2.7% and increases the top rate from 4.6% to 5.25%. In addition to granting taxpayers a higher tax burden, HB 2178 proposes to make that tax increase retroactive to the beginning of the year just like HB 2023. Our opposition remains on any tax increase, especially those applied retroactively on Kansas taxpayers.

We believe this legislature should focus on adopting efficiencies from the A&M study to achieve cost savings rather than increasing taxes. Historical spending in our state has far outpaced the rate of inflation. Had spending been held reasonably in line with inflation, we would not be having this discussion today.

Our final comments on this bill will focus on subsection (f) on page 3. Fairness and equity has been a commonly used phrase as this committee looks at comprehensive tax reform. One piece of the 2015 tax package eliminated income taxes on the lowest wage earners of the state; married individuals filing jointly with income of \$12,500 or less and all other individuals with taxable income of \$5,000 or less. HB 2178 keeps those individuals income tax rates at zero. If supporters of HB 2178 are seeking fairness throughout the tax code, we would think they would support reinstating income taxes on those taxpayers as well.

Thank you for the opportunity to testify in opposition to HB 2178, and I am happy to answer any questions the committee may have at the appropriate time.



The Kansas Chamber, with headquarters in Topeka, is the leading statewide pro-business advocacy group moving Kansas towards becoming the best state in America to do business. The Chamber represents small, medium and large employers all across Kansas.