Kansas National Education Association

Making public schools great for every child

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Mark Desetti
House Committee on Taxation
House Bill 2237
February 7, 2016

Mr. Chairman, members of the Committee, thank you for the opportunity to come before you today to express our support for HB 2237.

Kansas NEA is part of the Rise Up Coalition that worked to put this plan together with the Kansas Center for Economic Growth, Kansas Action for Children, the Kansas Contractors Association, AFT Kansas/KOSE and other groups.

Kansans have been repeatedly told that the 2012 tax cuts just need a little time to start working. We are of the opinion that at some point you must say enough is enough. Kansans have had enough. It is time to right the revenue ship and move forward. The proposal in HB 2237 will do this.

The plan essentially has five components.

1. First, it ends the so-called “march to zero” which would ultimately end the income tax in Kansas. Kansas does not have a source of revenue that could ever replace the income tax. We are not a major tourist destination; we do not have enormous oil and mineral reserves. And frankly, we simply cannot raise consumption taxes enough to cover the loss of the income tax.
2. This plan would re-instate the third income tax bracket. Doing this would restore a level of progressivity to our income tax as well as generate much needed revenue. The lion’s share of lost revenue came from the reduction of rates and the elimination of the third bracket. By restoring a third bracket without raising rates on the lower two brackets, Kansas would generate much needed revenue without raising income taxes on the vast majority of Kansans.
3. The “LLC loophole” would be closed. Not only does this loophole account for about 30% of our lost revenue, it is patently unfair. Business owners pay no income tax while their lower wage employees do. That’s not fair. The people of Kansas know it’s not fair which is why this issue gets the most notice from the public. Even business owners and local chambers have come before the legislature to ask that this be reversed. I would note that this plan does not apply this retroactively meaning that business owners can adequately prepare for the change.
4. The sales tax on groceries is reduced in this plan. This is very important. Kansas has the highest tax on groceries in the nation. Many states do not tax groceries at all. The high sales tax on groceries hits low income Kansans the hardest. Nutrition is important to every child’s development and, as educators, we are very concerned about the impact on nutrition for children of low income families.
5. This plan proposes modernizing the motor fuels tax. We recognize that of all the parts in this plan, this is probably the most controversial. We hold that our infrastructure has been suffering due to the sweeping of funds from the highway fund to the state general fund. It is critically important that Kansas maintain the quality of highways, roads, and bridges that have been a source of pride for so long. Businesses count on our roads to move products and materials and our residents depend on our roads to be safe. Furthermore, by modernizing the motor fuels tax we produce a source of revenue for infrastructure that is protected from the temptation to use it for other purposes. This is also a real job creation proposal that could help to restart the T-Works program and bring needed jobs back to Kansas.

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What you have before you is a comprehensive plan – the only one introduced so far this session – to stop the bleeding and set Kansas back on the path to prosperity. It will solve the budget problems you now face in FY 2018 and FY 2019 and it even takes into account funding for schools that might be required after the decision in the Gannon case.

This is a modest plan. There are so many things that people might want to see in reversing the 2012 and 2013 tax cuts. We know, for example, that some would call for restoring income tax deductions and credits that were lost or trimmed. We agree, but we believe we need a plan that moves Kansas back to solvency and as things improve, the legislature can consider other things to improve Kansas' tax policy.

You may be taking some comfort in the fact that we have begun to modestly exceed revenue estimates after months and months of missed estimates. This is not because the 2012 plan is starting to work; it is because the state has lowered estimates enough that we finally can meet them.

I would liken this to the parent that estimates their child will get straight A's going forward. Each time the child misses that mark, the parent simply lowers the estimate. "Okay," he says, "He's going to get three A's and three B's this time." How many times will the parent reduce those expectations until the child actually meets the estimates? Eventually that parent can say, "I expected he would get all C's and, look, he's got five C's and a B! Better than I thought!"

I understand that while some of you might think this is right plan, others will have concerns with one aspect or another. I would simply suggest that this plan establishes a revenue goal based on the needs our state has today and it proposes a solution that will get our state on a sound financial footing. We think the goal that we sought in crafting this plan is a worthy goal for your consideration.

HB 2237 stops the bleeding and sets Kansas back on the path to prosperity. We would urge this committee to give it full consideration.