



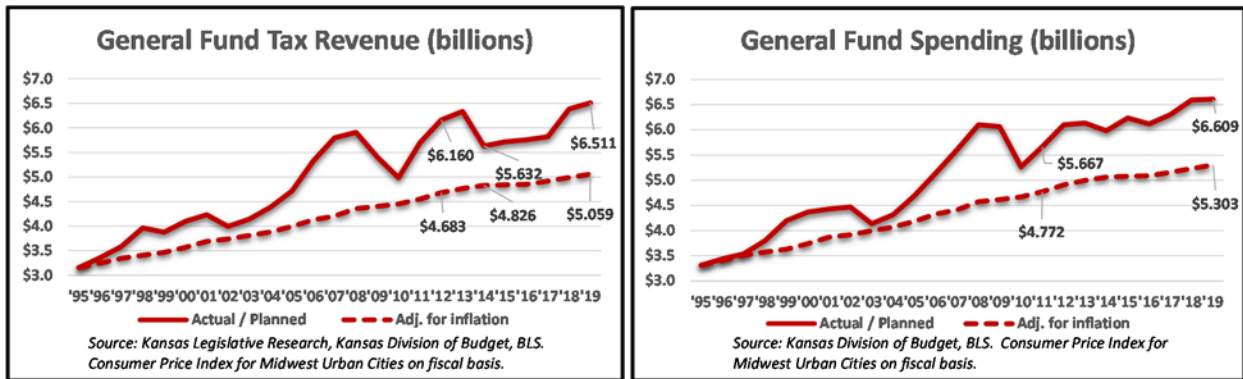
Chairman Johnson and Members of the Committee,

We appreciate this opportunity to testify in opposition to HB 2618, which would create a new 10 percent income tax bracket for joint filers with income over \$1 million and single filers over \$500,000. Our primary objections cover three topics:

1. Kansas has a spending problem, not a revenue problem.
2. An onerous 10 percent tax is the equivalent of a “Not Welcome” sign to the most mobile of taxpayers.
3. This new tax will make Kansas’ four-decade period of economic stagnation even worse.

**Kansas has a Spending Problem, Not a Revenue Problem**

Last year the Legislature passed the largest tax increase in state history, which already has revenue projected to be \$1.5 billion above long term inflation. And even if this Legislature doesn’t authorize a dime of new spending, General Fund spending will be \$1.3 billion higher than if increased for inflation since 1995.



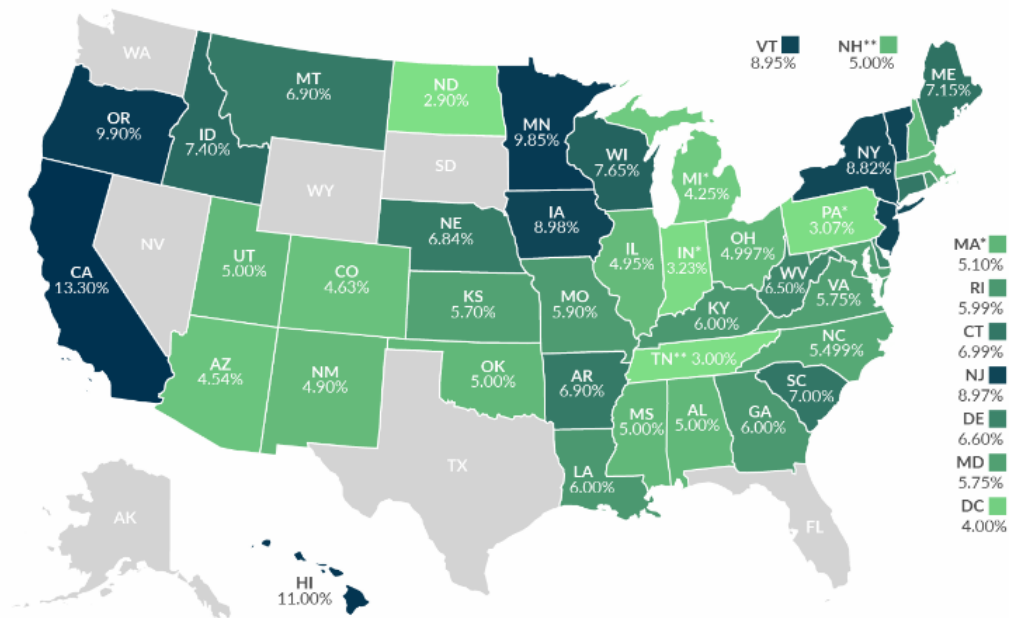
By the way, total state spending per-capita in 2016 was 36 percent higher than the states without an income tax; 2015 spending was 27 percent higher than those states. (Spending data comes from the National Association of State Budget Officers, excluding federal spending and bond issuance spending.)

**High Income Earners Not Welcome**

Kansas already has the 8<sup>th</sup> highest state and local sales tax rate and the proposed 10 percent marginal income tax rate would be the 3<sup>rd</sup> highest in the nation.

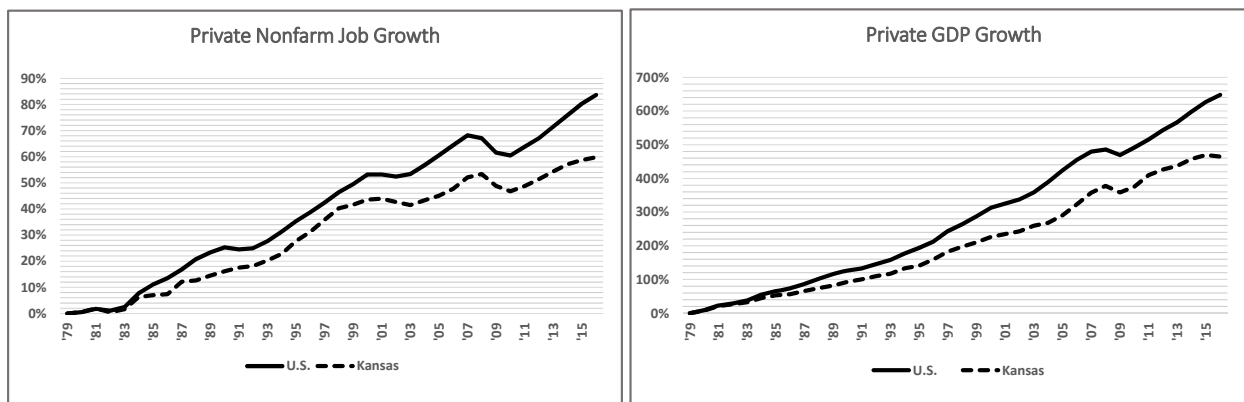
This map from The Tax Foundation shows only California and Hawaii would have a higher top marginal rate than Kansas.

Top State Marginal Individual Income Tax Rates, 2018



### Higher Tax Burden Will Add to Long Term Economic Stagnation

The higher income tax rate applies to individuals as well as pass-through businesses, and pass-through income above \$500,000 accounted for 43 percent of all pass-through income in 2015. The potential loss of some of those individuals and their businesses is especially important because Kansas has been falling farther behind the nation in private sector job growth and GDP growth.



Kansas cannot tax and spend its way out of economic stagnation, and this proposed tax hike would only make matters worse.

Accordingly, we encourage the committee to reject HB 2618 and thank the committee for its consideration.