



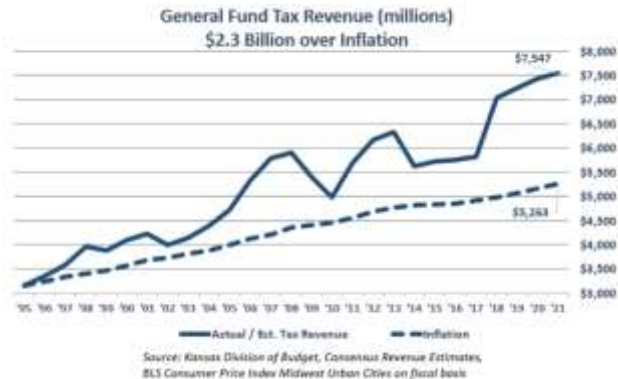
Chairman Johnson and Members of the Committee,

We appreciate this opportunity to submit written testimony in support of SB 22, which contains several provisions regarding Kansas income tax. Our support is focused on the provisions that allow Kansans to itemize on their Kansas return regardless of the deduction taken on their federal return and exempting international income from Kansas taxation. Our primary support covers three topics:

1. Kansans’ taxes were raised 5 times in the last 4 years.
2. SB 22 is in line with the intent of Federal Tax Reform.
3. SB 22 makes KS tax code competitive and may help the Kansas economy from worsening further.

Kansans’ taxes were raised 5 times in the last 4 years

Kansas has a spending problem that has seen the state recently raise taxes a total of five times, including sales, excise, and the largest income tax hike in state history. The inability to pass HB2228 last year is the fifth tax increase since 2015. The elevated tax burden has meant state tax revenue now stands \$2.3 billion higher than the level if it just kept up with long term inflation.



That tax burden has taken a toll. Over the past 20 years, states with lower tax burdens have provided more jobs and higher wages for Kansas families. Kansans have responded by leaving the state in droves.

The chart below shows wages and jobs from low tax states growing at least 10% faster than Kansas. However, the most notable difference is from states’ domestic migration. For Kansas, there is virtually no migration over the 12-year period. Meanwhile, low tax states are seeing migration grow their respective populations roughly 5.5%.

Economic Performance of States by Resident State/Local Tax Burden			
Economic Category	10 Lowest Burden States	10 Highest Burden States	Kansas
Private Nonfarm Job Growth ('98 -'17)	32.7%	28.0%	14.4%
Private Nonfarm Earnings Growth ('98 -'17)	114.1%	113.5%	104.4%
Migration Growth ('00 - '17)	5.0%	-7.0%	-5.0%
Private Real GDP ('98 - '17)	57.3%	67.3%	46.7%

Source: U.S. Census Bureau, U.S. Bureau of Economic Analysis

Population loss from domestic migration impacts a state's future economic health. As more people leave, demand for goods and services falls. This discourages startups to satisfy wants and needs, and with it, opportunities for family income growth shrink.

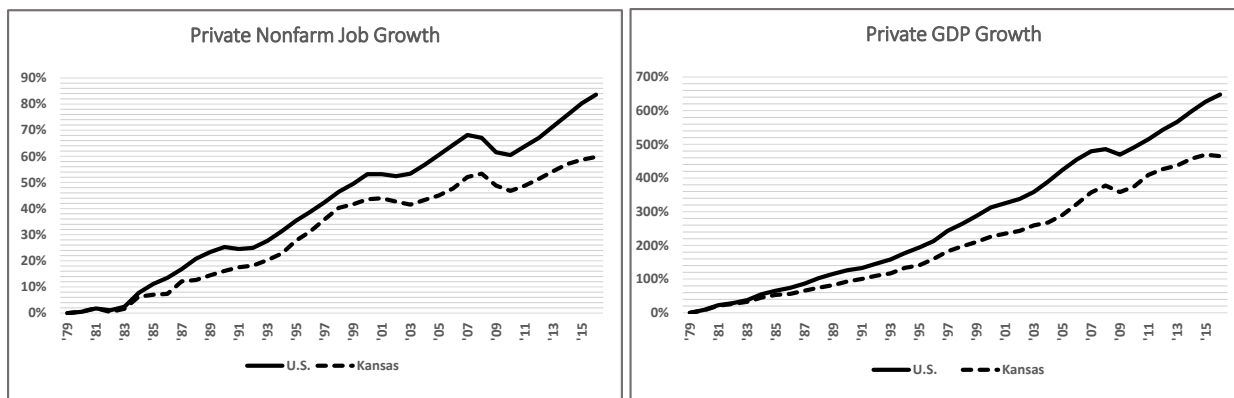
SB 22 is in line with the intent of Federal Tax Reform

Former Speaker of the House, Paul Ryan made this note about Federal Tax Reform, "The Tax Cut and Jobs Act will deliver real relief for people in the middle, people who are also striving to get there."

Allowing Kansans to itemize on their Kansas return even if they took the federal standard deduction is a step in the right direction. It means Kansans have more choices to minimize their taxes owed as possible, providing more relief to their finances. Alternatively, if this change is not made Kansans will be shut out of the real relief Americans in other states are experiencing.

SB 22 makes KS tax code competitive and may help the Kansas economy from worsening further.

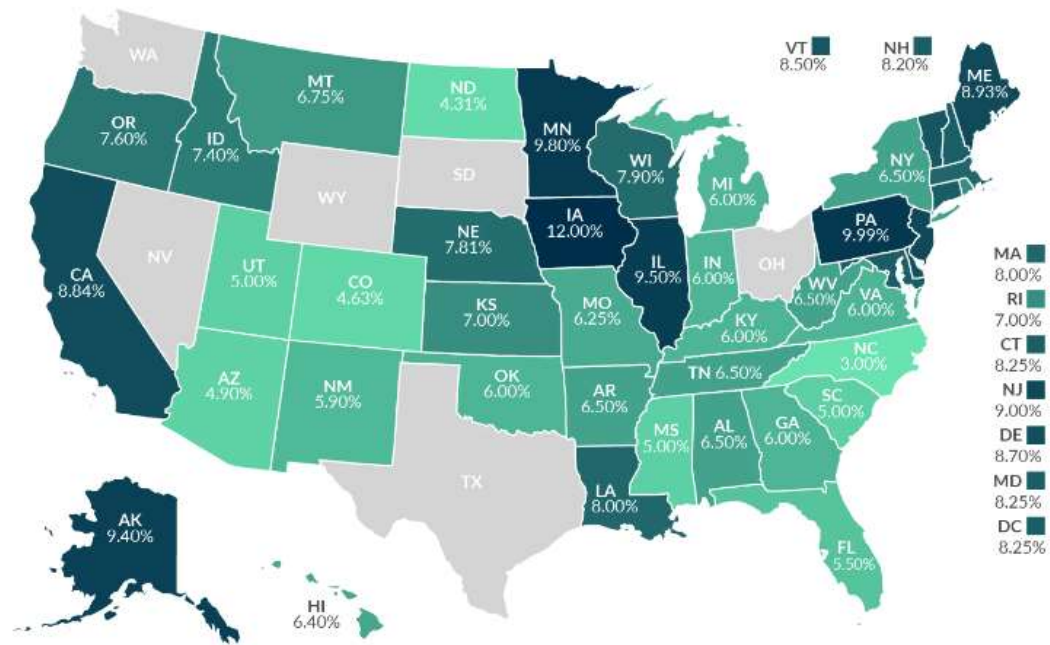
Having so many tax increases and relatively high rates, encourages companies and people to leave and discourage others from moving to Kansas. That's especially important because Kansas has been falling farther behind the nation in private sector job growth and GDP growth.



Had Kansas grown at the national average, the state would have roughly 160,000 more jobs and the economy would have an extra \$29 billion in economic activity. Just think what that would mean for Kansas families. SB 22 increasing the take home pay of hard-working Kansans is a step in restoring those jobs and wage losses. SB 22 helps Kansans keep more of their income, giving a better opportunity for them to raise wages, grow jobs, and spur capital investment.

According to the tax foundation, Kansas has the 34th best corporate income tax environment in the country. Federal Tax Reform lowered corporate tax rates and provided a deduction for business income. This means that state corporate tax policy has become even more important for corporations to consider.

Top State Marginal Corporate Income Tax Rates in 2018



After the passage of Federal Tax Reform, Kansas has an opportunity to regain some comparative advantage by exempting repatriated and GILTI income from taxation. It sends a signal that Kansas doesn't penalize hard working entrepreneurs and wishes to support their growth here at home.

For these reasons, we encourage the Committee to pass SB 22 and thank the members for their consideration.