



Chairman Johnson and Members of the Committee,

On behalf of the Kansas Policy Institute, we appreciate this opportunity to submit testimony in opposition to HB 2427. This exempts national service education awards from Kansas income taxation. We hold the following positions on HB 2427

1. HB 2427 doesn't provide tax relief relative to other aspects of state and federal tax policy
2. HB 2427 promotes the wasteful tendency of government picking winners and losers

HB 2427 doesn't provide tax relief relative to other aspects of state and federal tax policy

According to the fiscal note for HB 2427, 355 Kansas students received awards totaling \$1,061,770 in the 12 months preceding February 2019. Dividing this figure out, that means Kansas recipients received \$2,990 on average in awards. Using the Kansas Department of Revenue's assumed effective tax rate of 4.7% means these Kansas students would see a reduction in state taxes of \$140. Make note, this is after Federal Adjusted Gross Income which already includes deductions for tuition and fees and student loan interest which maxes out at \$6,500 in income or a state tax effect of \$305.¹ This does not include eligible education credits at the state and federal level. There are plenty of other tax provisions to reduce the tax burden of Kansas students.

HB 2427 promotes the wasteful tendency of government picking winners and losers

If a legislative body passes a law, there shouldn't be any exceptions to that law without some compelling reason. HB 2427 has no compelling reason. In fact, HB 2427 benefits a select 355 of Kansas students at the expense of everyone else. The hyper-targeting of this credit is particularly troublesome. Credits should be designed with the possibility they could be available to anyone (charitable contribution, small business credit, etc.). HB 2427 is limited to those who participated in Amerigroup and received a national service education award. HB 2427 is not good tax policy.

The fiscal note for HB 2427 is a net \$83,000 loss to state government, assuming the Kansas Department of Revenue didn't underestimate the cost of adding an additional provision to the tax code. HB 2427 is a wasteful tax provision that ties of government resources while providing near zero tax relief to Kansans at large.

For these reasons, we urge the committee to reject HB 2427 in its current form.

¹ Internal Revenue Service, Publication 970: Tax Benefits for Education, <https://www.irs.gov/pub/irs-pdf/p970.pdf>