



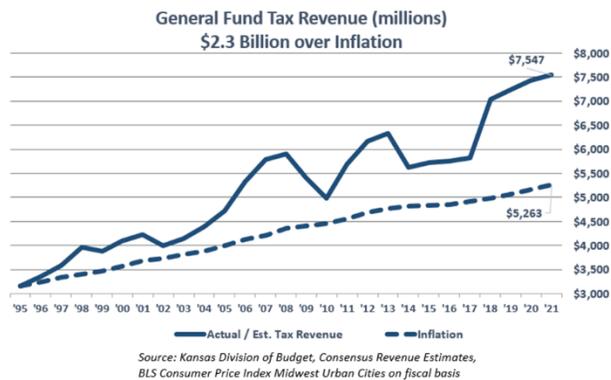
Chairwoman Tyson and Members of the Committee,

We appreciate this opportunity to submit testimony in support to SB 13, which contains several provisions regarding Kansas income and sales 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, increasing Part C itemized deductions to 100% of federal amounts, and restoring the Kansas expensing deduction for small businesses. Our primary support covers three topics:

1. Kansans’ taxes were raised 5 times in the last 4 years.
2. SB 13 is in line with the intent of Federal Tax Reform.
3. SB 13 spurs capital investment and helps reverse economic stagnation.

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

Kansas has a spending problem. From it, the state has raised taxes on Kansans a total of five times, including sales, excise, and income, which was the largest tax increase 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 ('05 - '17)	5.5%	-5.8%	0.0%
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.

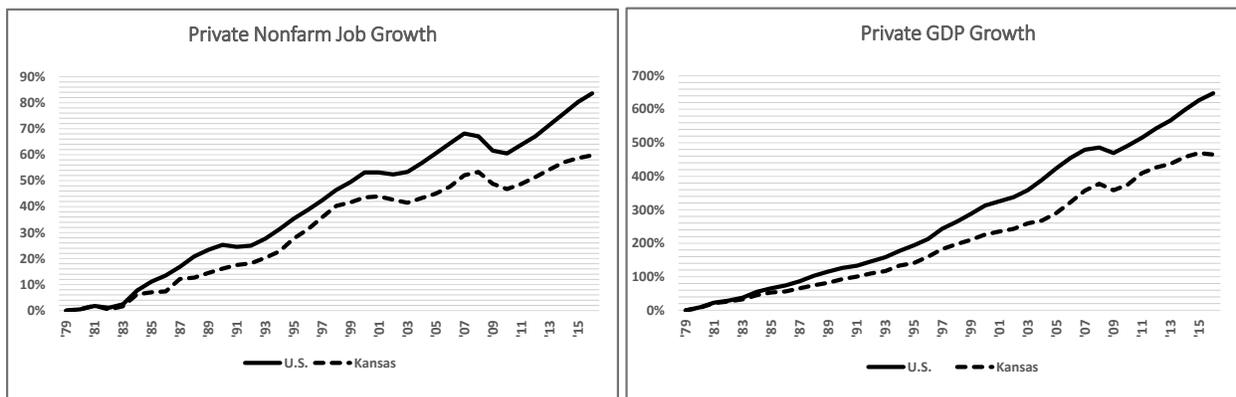
### SB 13 is in line with the intent of Federal Tax Reform

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."

According to the Statistics of Income from the IRS, in 2016 at least 50% of Federal Itemizers for Medical Expense, Mortgage Interest, Real Estate and Personal Property made less than \$100,000 in adjusted gross income. At least 30% of the federal itemizers made less than \$50,000. Not allowing Kansans the ability to carry over 100% of those federal allowable amounts implies the state doesn't wish would provide real relief for low to middle income Kansans.

### SB 13 spurs capital investment and helps reverse economic stagnation

Having so many tax increases and relatively high rates, it 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 families have 20,000 more in income. SB 13 increasing the take home pay of hard working Kansans is a step in restoring those jobs and wage losses.

Kansas small businesses were able to deduct capital investments (buildings, equipment and machinery) when configuring their income for tax purposes before the LLC exemption. Now that the exemption is gone, Kansas expensing has yet to be reinstated. SB 13 allowing personal businesses to deduct the costs of capital investments lowers the costs of making an investment. This leads to more investment activity and higher productivity, eventually growing wages and Kansas GDP.

For these reasons, we encourage the Committee to reject SB 13 and thank the Members for their consideration.