

**SB 91 Opponent Testimony**  
**Senate Committee on Commerce**  
**Amending the KS Rural Housing Incentive District**  
**Michael Austin – Director, Center for Entrepreneurial Government**  
**February 10, 2021**



Chairman Olson and Members of the Committee,

On behalf of the Kansas Policy Institute, we appreciate this opportunity to submit testimony in opposition to SB 91 regarding the transferability of HPIP credits. We hold the following positions on SB 91.

1. SB 91 will benefit select businesses while leaving taxpayers on the hook.

HPIP credit lowest the cost of development for a few businesses by raising the costs for others. All Kansas businesses effectively not a part of the HPIP program subsidizes their HPIP competition. Officials offer HPIP credits to large firms with enormous development costs. So newly created companies are left out of the running for funds. SB 91 risks slowing the Kansas economy as small and new businesses are unfairly disadvantages against older and larger firms with more resources and political clout.

Finally, SB 91 hinders the possibility of broad-based tax reduction. According to the Kansas Department of Revenue, the HPIP credit costs Kansas businesses roughly \$63 million in calendar year 2019. This is roughly 13% of all corporate income tax revenues in 2019. That means if Kansas never had the HPIP program in the first place, the corporate income tax rate could be 13% lower.

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

1<sup>st</sup> Quarter of 2019<sup>1</sup>

- Kansas economy ranked the 46<sup>th</sup> fastest in the nation in the 1<sup>st</sup> quarter of 2019
- Kansas government ranked the 10<sup>th</sup> fastest in the nation in the 1<sup>st</sup> quarter of 2019

2<sup>nd</sup> Quarter of 2019<sup>2</sup>

- Kansas economy ranked the 49<sup>th</sup> fastest in the nation in the 2<sup>nd</sup> quarter of 2019
- Kansas government ranked the 15<sup>th</sup> fastest in the nation in the 2<sup>nd</sup> quarter of 2019

3<sup>rd</sup> Quarter of 2019<sup>3</sup>

- Kansas economy ranked the 45<sup>th</sup> fastest in the nation in the 3<sup>rd</sup> quarter of 2019
- Kansas government ranked the 11<sup>th</sup> fastest in the nation in the 3<sup>rd</sup> quarter of 2019

2019 Overall

- Kiplinger, a business new periodical, named Kansas as the 10<sup>th</sup> least tax-friendly state in 2019<sup>4</sup>

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<sup>1</sup> U.S. Bureau of Economic Analysis

<sup>2</sup> U.S. Bureau of Economic Analysis

<sup>3</sup> U.S. Bureau of Economic Analysis

<sup>4</sup> Kiplinger, *The 10 Least Tax-Friendly States in the U.S.*, <https://www.kiplinger.com/slideshow/taxes/T006-S001-10-least-tax-friendly-states-in-the-u-s-2019/index.html>

- Kiplinger named Kansas as the 3<sup>rd</sup> least tax-friendly state for retirees in 2019<sup>5</sup>
- Tax Foundation named Kansas as the 34<sup>th</sup> best Business Tax Climate in 2019<sup>6</sup>

#### 2020Q4

- As of December 30<sup>th</sup>, the number of Kansas businesses open decreased by 29.1% compared to January 2020<sup>7</sup>
- As of December 6<sup>th</sup>, total spending by consumers in Kansas decreased 4.9% compared to January 2020.<sup>8</sup>
- As of December 11<sup>th</sup>, total job postings decreased 3.5% compared to January 2020.<sup>9</sup>
- As of the November jobs report, Kansas has recovered 63.8% of the private jobs lost during the April COVID lockdown.<sup>10</sup>

#### 2020 Overall

- Tax Foundation named Kansas as the 35<sup>th</sup> best Business Tax Climate in 2020<sup>11</sup>
- United Van Lines reports Kansas was the 6<sup>th</sup> most departed state in 2020.<sup>12</sup> MoneyWise reports Kansas is the 3<sup>rd</sup> worst state for taxing retirees.<sup>13</sup>

For these reasons, we urge the committee to reject SB 91 in its current form.

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<sup>5</sup> Kiplinger, *10 Least Tax-Friendly States for Retirees, 2019*, <https://www.kiplinger.com/slideshow/retirement/T037-S001-10-least-tax-friendly-states-for-retirees-2019/index.html>

<sup>6</sup> The Tax Foundation, *Kansas Tax Modernization: A Framework for Stable, Fair, Pro-Growth Reform*, <http://www.kansaschamber.org/wp-content/uploads/2019/12/TaxReport.pdf>

<sup>7</sup> Opportunity Insights, *Percent Change in Number of Small Businesses Open, 12/30/2020*, <https://tracktherecovery.org/>

<sup>8</sup> Opportunity Insights, *Percent Change in All Consumer Spending, 12/06/2020*, <https://tracktherecovery.org/>

<sup>9</sup> Opportunity Insights, *Percent Change in Job Postings, 12/11/2020*, <https://tracktherecovery.org/>

<sup>10</sup> Kansas Department of Labor, *November Labor Report, 12/18/2020*, [https://klic.dol.ks.gov/admin/gsipub/htmlarea/uploads/LR%20Nov2020%20Economist%20Overview%20Report\(2\).pdf](https://klic.dol.ks.gov/admin/gsipub/htmlarea/uploads/LR%20Nov2020%20Economist%20Overview%20Report(2).pdf)

<sup>11</sup> Tax Foundation, *2021 State Business Tax Climate Index, 10/21/2020*, <https://taxfoundation.org/2021-state-business-tax-climate-index/>

<sup>12</sup> United Van Lines, *2020 National Migration Study, 1/4/2021*, <https://www.unitedvanlines.com/newsroom/movers-study-2020>

<sup>13</sup> MoneyWise, *The 15 Worst States for Taxing Your Retirement, 12/21/2020*, <https://moneywise.com/a/the-15-worst-states-for-retirement-taxes>