

Testimony in Opposition to House Bill 2763

House Taxation Committee Thursday, March 15, 2012

Chairman Carlson and Members of the House Taxation Committee:

My name is Jennifer Bruning, and I am Vice President of Government Affairs with the Overland Park Chamber of Commerce. I am submitting written testimony today in opposition to House Bill 2763 on behalf of our Board of Directors and our nearly 1,000 member companies.

The OP Chamber has a long standing legislative position in opposition to any change in Kansas tax law that would apply a tax on professional services as HB 2763 proposes. This type of reform would detrimentally impact our competitiveness with neighboring states and would have dire economic development and employment consequences.

The Service sector has been the dominant job creator in Kansas for the last three decades. The Services, Finance, Insurance & Real Estate (FIRE) sectors accounted for 3 out of every 4 jobs created since 1979 in Kansas. Furthermore, the service sector was the most productive sector of the Kansas economy over the past three decades as measured by gross domestic product (GDP). Over the past 30 years it accounted for 48% of the total growth in Kansas GDP, and in 2009 (amidst a bad economy) the FIRE sectors produced 43% of Kansas' total GDP. Taking a look just at Johnson County, the FIRE sectors created over 177,000 jobs since 1979 (amounting to 1 in 3 jobs created in all sectors statewide over the past 30 years).

These statistics are important to note because taxing such a key component of the Kansas economy would have detrimental effects including higher costs for consumers, lower demand for services and production, and new administrative burdens. Both Florida and Massachusetts enacted a sales tax on services, but promptly repealed the measures when they proved to be unpopular and difficult to administer. Many other states rejected similar proposals, including Maine, Maryland, Vermont, and Ohio. Taxing services would harm the competitive position of Kansas service providers against their competitors located in states and countries that do not tax those services.

The situation becomes particularly more onerous in Kansas border counties, and especially Johnson County where the service sector is so dominant. Service companies are relatively fluid, requiring few durable fixed assets. It is very easy for a service company to find acceptable office space just across the state line and move its labor force and capital into a state that does not tax services. The OP Chamber has had several of our service business members (including one of the state's largest employers) tell us that should a tax on services be enforced in Kansas, they WILL relocate their business outside the state.

Taxing professional services is just not sound public policy. We urge you to oppose HB 2763. Thank you.