

The Honorable Marvin Kleeb, Chairperson  
House Committee on Taxation  
State House Room 185-N  
Topeka, Kansas 66612

March 14, 2016

Melinda Boeken

Testimony in Support of House Bill 2444 Elimination Business  
Non Wage Income Tax Exemption and  
Reducing Sales Tax on Food  
Before the House Committee on Taxation

Honorable Chairman Kleeb and Members of the Committee, thank you for the opportunity to testify in support of HB2444.

I am a fifth generation Kansan, raised on a family farm and currently farm with my husband of 27 years in Ellsworth County. I am also a registered Republican.

I believe the State of Kansas should repeal the tax cuts of 2012 and end the tax exemption for non-wage income. If income is earned within the State of Kansas, taxes should be paid to the State of Kansas on said income. It is lunacy to raid funding marked for transportation and education, and to continually search for revenue from unreliable sources in order to pay for daily operations of state government. In my opinion, income taxes are the most unbiased because tax is paid on earnings rather than projected income and value as is the case with property taxes.

As a farmer who has benefited from the non-wage tax exemption, I feel businesses and individuals should pay their fair share for the benefits they enjoy. My husband and I have a landlord residing in California. Since the 2012 tax exemption was enacted, he has paid taxes to the State of California on non-wage income earned in Kansas. How much funding are we losing to other states due to a loophole?

The tax cuts were intended to create jobs. As farmers, my husband and I have not hired more employees. If you have adequate help to operate the business there is not a reason to hire, even with the tax cut. As an employer it is unfair and immoral to expect employees to pay taxes on their wages and not on your own earnings. My husband and I have chosen to be paid a wage from the farm and pay taxes on those earnings. We feel that it is very important that we all contribute to ensure that we maintain good schools and infrastructure in our communities and state. Without everyone contributing to these programs, we will lose them and the high standard of living we have enjoyed in the State of Kansas will disappear. This is the reason we have continued to pay Kansas Income Tax even though under current law we are not obligated to do so.

We as a state want to attract business. According to the Kansas Secretary of State, business filings were up for 2015. However, according to January 2016 jobs report from the Federal Bureau of Labor Statistics, non-farm employment in Kansas fell by 4000 from December 2015 to January 2016. Kansas had only 1400 more jobs in January 2016 than in January 2015. Our

State suffered an annual growth rate of 0.1 percent from January 2015 to January 2016, one of the worst in the United States. Meanwhile the nation as a whole had a 1.9 percent growth rate.

Secretary Kobach admits that most of the new business filings are most likely registered as limited liability corporations exempt from non-wage income tax. If we have so many new businesses, why are we losing jobs? Perhaps existing businesses are filing as LLC's to avoid paying income tax.

We will not attract new businesses to Kansas if the owners cannot be assured of good roads, quality education, and excellent health care for their employees – qualities we were once noted for, which are now in serious jeopardy.

According to a recent survey by the United National Movers Study, Kansas ranks 6<sup>th</sup> in the nation for people relocating outside the state.

As jobs and residents leave the state and the Kansas Department of Revenue has repeatedly reported monthly tax collections falling short of projections, it has given new meaning to the term Bleeding Kansas.

Please vote to restore the tax on non-wage income and bring sanity back to the State of Kansas before it is too late.

Thank You,  
Melinda Boeken