



March 14, 2017

## Testimony in Opposition of SB 192

Chairwoman Tyson and Members of the Committee:

On behalf of Americans for Prosperity activists across Kansas, thank you for this opportunity to voice our opposition to SB 192. Implementing a retroactive tax increase that will total over \$1 billion in just the first two years will send a message to Kansas businesses and wage earners that state spending is a higher priority than job growth.

The tax reforms passed in 2012 gave tax relief to Kansas families, and incentivized small businesses. The results are clear: 2016 saw more Kansans employed than any time in our state's history. The unemployment rate has remained below 4.5% for more than two years<sup>i</sup>. Kansas has been setting records for number of new businesses.

The portion of this bill directed to pass through entities as a \$250 million tax increase<sup>ii</sup> will reverse the progress that Kansas has made toward reducing the income tax burden on Kansas small businesses and farms. In a time when job growth from traditional C-Corporations has been relatively flat, the pass through entities affected by this bill have hired tens of thousands of Kansans.<sup>iii</sup>

Not only is this a substantial tax increase for Kansas small businesses, SB 192 applies the tax increase retroactively. Kansas businesses, including businesses that have recently relocated to Kansas, have relied on existing policy. Such retroactive tax increases will cause long term damage to Kansas' reputation as a low tax state with stable tax policy.

The changes to Kansas individual income and small business tax policy contained in SB 192 would not only set the Kansas economy back, but miss the underlying problem in state finances: Long term spending growth.

The Kansas Legislature used the bulk of the 2015 and 2016 legislative sessions to consider additional sources of revenue to fix a perceived 'budget shortfall', without first seriously considering a budget to reduce overall state spending.

Kansas has added thousands of new businesses, and tens of thousands of new jobs. The 2012 tax reforms are benefitting working Kansans. Now is not the time to place an increased tax burden on the source of Kansas job growth, increase income taxes on wage earners and reverse the progress made by the 2012 tax reform package.

Jeff Glendening  
State Director, Americans for Prosperity-Kansas

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<sup>i</sup> Bureau of Labor Statistics. January 2017.

<sup>ii</sup> KSHB News "Kansas lawmakers to repeal LLC tax exemption" January 9, 2017.

<sup>iii</sup> kansaspolicy.org, "Pass-Through Entities Drive Job Growth in Kansas" October 31, 2016.