



Responsible Policy. Real Prosperity.

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Heidi Holliday, Executive Director
Kansas Center for Economic Growth
House Bill 2385 Testimony
House Taxation Committee

Chair Johnson and Members of the Committee:

Thank you for the opportunity to provide testimony on future Kansas tax policy. The Kansas Center for Economic Growth (KCEG) is a nonpartisan organization dedicated to promoting balanced budget and tax policies that help ensure all Kansans prosper. . There is one component of House Bill 2385 that we are pleased to see being discussed and support. **However, we are strongly opposed to HB 2385 for the following reasons:**

- 1. Flat taxes hurt Kansas communities.** Communities across Kansas are already struggling to fund education, infrastructure improvements, public safety, health care, and transportation. A flat tax is unaffordable and does not solve Kansas' budget woes. A flat state income tax would undermine our ability to invest in things like schools and parks and would sabotage future economic growth. Tax policy should encourage economic activity and shared prosperity, not stifle it.
- 2. A flat tax hurts working Kansas families.** HB 2385 changes the fundamental structure of our income tax brackets and shifts even more of the tax burden to working Kansas families. Under this bill, a higher proportion of Kansans in lower income tiers would see tax hikes than in the wealthiest tier.
- 3. Kansas needs a tax code that restores fiscal stability to the state.** The Kansas tax code needs to be balanced and reliable. Flat taxes are neither. We need tax reform that restores stability to the Kansas budget and closes our budget shortfall. HB 2385 does not raise the revenue needed to return Kansas to fiscal stability, and a flat tax structure would compound the state's already unstable fiscal health.

We are supportive of one element of HB 2385: the repeal of the "March to Zero," or "glide path," provision of the 2012 tax plan. This is a crucial element to any comprehensive tax reform package. However, a comprehensive plan must also include a full repeal of the non-wage business tax exemption ("LLC loophole") provision of the 2012 tax plan to restore fairness to our income tax structure. **A flat tax is a significant step in the wrong direction.**

We believe that any restructuring of the income tax structure should have two key elements: 1) Preserve as much of the current rate structure as possible for as many

Kansans as possible and 2) Limit as much of the adjustment as possible to Kansans who can most afford it. The bottom 40% of Kansas earners saw a tax increase after the 2012 tax plan. Under this flat tax proposal, 54% of Kansas earners making an average income of \$82,000 or less would see an increase, whereas only 31% of those making an average income of \$141,000 or more would see an increase.

This is not an easy process. But in the end, we need a comprehensive solution that fills the current budget shortfall and puts Kansas back on a path toward fiscal stability. This proposal fails to do that.