



Responsible Policy. Real Prosperity.

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Heidi Holliday, Executive Director
Kansas Center for Economic Growth
Senate Bill 175 Testimony
Senate Assessment and Taxation Committee

Chair Tyson 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. On behalf of all Kansans, we urge the committee to consider a comprehensive, sustainable solution to re-balance Kansas tax policy. **We are opposed to Senate Bill 175 because it fails to address the structural revenue imbalance that causes this repeated fiscal crisis.**

Current tax policy is unaffordable and unsustainable. While the rest of the nation spent the last five years recovering from the Great Recession, Kansas endured nine rounds of budget cuts, three state credit rating downgrades, and the accumulation of record high debt...all as a result of failed tax policy. Over \$700 million in tax increases have been enacted since 2012 to help fill the gap, but Kansas continues to face repeated budget shortfalls because no proposals have fixed the underlying source of the problem.

By failing to address the root causes of the structural deficit, SB 175 will not restore Kansas' fiscal stability. Seventy percent of the revenue loss in the state after the 2012 tax plan is due to the individual income tax changes, and the remaining 30% of the revenue loss is from the LLC loophole. Without addressing these elements and ending the March to Zero, Kansas can't return stability to our state budget. Furthermore, the plan fails to raise adequate revenue to cover our structural deficit and doesn't comprehensively deal with the inequities in our current tax system.

We strongly urge you to embrace three fundamental goals for whatever tax plan you ultimately support:

1. **A plan that balances the budget and ends the cycle of crisis.** We must enact tax reform that aligns Kansas expenditures and revenues without relying on temporary sources, such as KPERS borrowing or sweeps from special funds with dedicated revenue streams. This requires a comprehensive approach that ends the future phase-out of individual income taxes.

2. **A plan that restores fairness and accountability.** The combined impact of tax policy changes between 2012-2015 resulted in a net tax increase for 40% of Kansans. Those folks worry deeply that the system is rigged against them. A plan that limits regressivity and requires everyone to “pitch in” is not only good policy, it will also generate much more public support.

3. **A plan that is proactive.** A Supreme Court order to increase funding for Kansas schools is widely expected soon. It is in the best interest of the state to address this now, as part of a comprehensive tax reform plan. It is badly needed, overwhelmingly supported by Kansans, and will enable lawmakers to have a fix in place should the ruling come after the Legislature adjourns.

This is not an easy process. But at the end of the day, tax policies enacted in 2012 and 2013 didn't work. We need a comprehensive solution that meets the current budget shortfall and puts Kansas back on a path toward fiscal stability.