



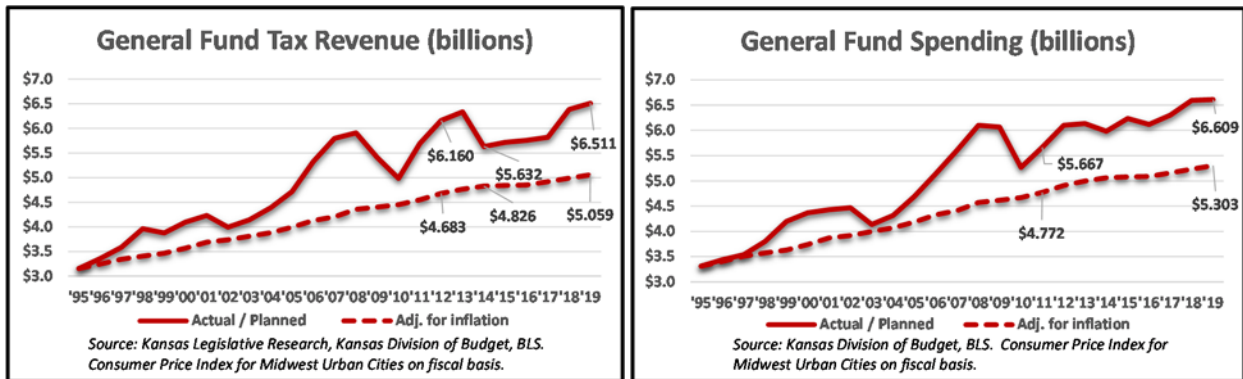
Chairman Johnson and Members of the Committee,

We appreciate this opportunity to submit written testimony in opposition to HB 2661, which would set a top marginal income tax rate of 10 percent on corporate income. Our primary objections cover three topics:

1. Kansas has a spending problem, not a revenue problem.
2. An onerous 10 percent tax is the equivalent of a “Not Welcome” sign to corporations.
3. This new tax will make Kansas’ four-decade period of economic stagnation even worse.

**Kansas has a Spending Problem, Not a Revenue Problem**

Last year the Legislature passed the largest tax increase in state history, which already has revenue projected to be \$1.5 billion above long term inflation. And even if this Legislature doesn’t authorize a dime of new spending, General Fund spending will be \$1.3 billion higher than if increased for inflation since 1995.



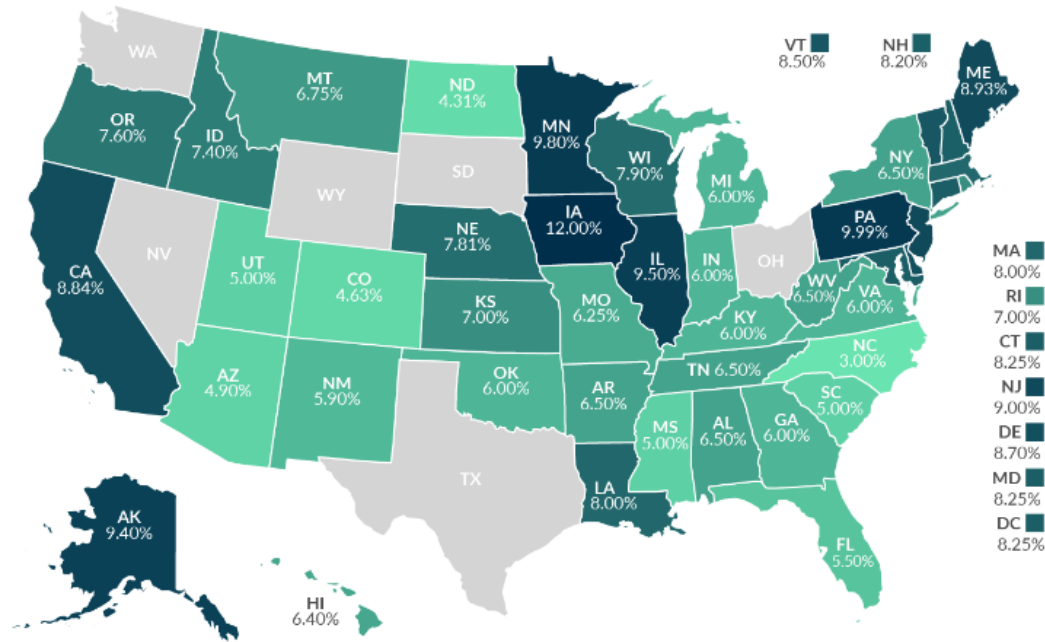
By the way, total state spending per-capita in 2016 was 36 percent higher than the states without an income tax; 2015 spending was 27 percent higher than those states. (Spending data comes from the National Association of State Budget Officers, excluding federal spending and bond issuance spending.)

**High Income Earners Not Welcome**

Kansas already has the 8<sup>th</sup> highest state and local sales tax rate and the proposed 10 percent marginal income tax rate on corporate income would be the 2<sup>nd</sup> highest in the nation.

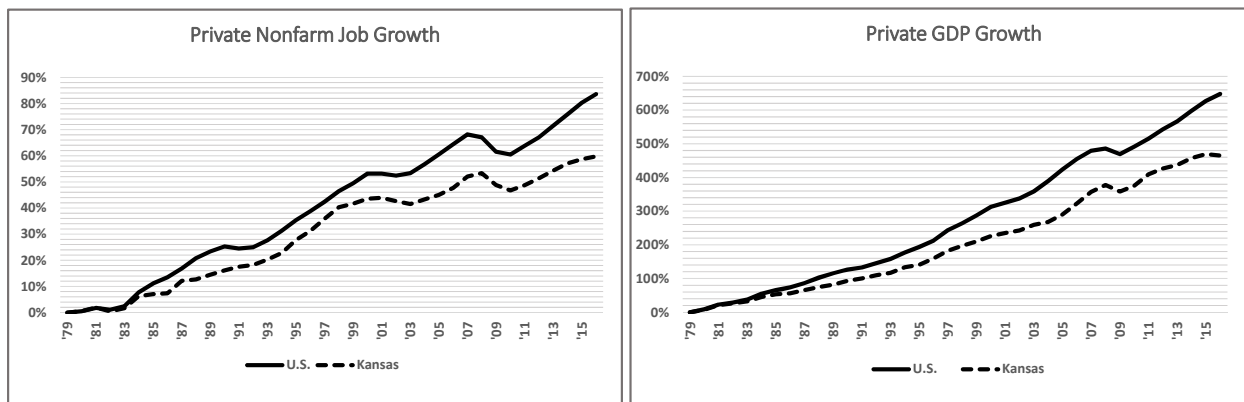
This map from The Tax Foundation shows only Iowa would have a higher top marginal rate than Kansas.

Top State Marginal Corporate Income Tax Rates in 2018



**Higher Tax Burden Will Add to Long Term Economic Stagnation**

Having the 2<sup>nd</sup> highest marginal tax rate on corporate income would incentivize companies to leave and discourage others from moving to Kansas, and that’s especially important because Kansas has been falling farther behind the nation in private sector job growth and GDP growth.



Kansas cannot tax and spend its way out of economic stagnation, and this proposed tax hike would only make matters worse.

For these reasons, we encourage the Committee to reject HB 2661 and thank the Members for their consideration.