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Neutral, Written Testimony on Senate Bill 215
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. There are many components of Senate Bill 215 that we are pleased to see being discussed and support. **We are testifying as neutral because we believe comprehensive tax reform that closes our present budget shortfall is necessary to correct the structural imbalance in the Kansas budget.**

SB 215 begins to address the structural imbalance in the Kansas budget by doing three key things: it repeals the non-wage business tax exemption (“LLC loophole”) provision of the 2012 tax plan, it adjusts income tax rates to increase revenue and it repeals the “March to Zero,” or “glide path” provision of the 2012 tax plan. These are crucial elements to any comprehensive tax reform package.

The addition of deductions for medical expenses is also important because many credits and deductions that benefit hardworking Kansas families were eliminated after the 2012 tax plan went into effect.

However, the fiscal note on SB 215 shows that **it does not raise the needed revenue** to meet the expected budget shortfall in fiscal year 2018 of \$580 million, especially considering the recent Supreme Court ruling on the adequacy of funding for Kansas public schools. A ruling that is currently being discussed by policymakers and is expected to necessitate an additional substantial investment, perhaps between \$500-\$800 million, in Kansas schools. We need a comprehensive solution that meets the current budget shortfall and puts Kansas back on a path toward fiscal stability.

We appreciate the core ideas of SB 215 but believe that comprehensive tax reform that closes our present budget shortfall is necessary to correct the structural imbalance in the Kansas budget. **We encourage the committee to hold out for a solution** that includes not

only the fiscal policy pieces necessary in a comprehensive tax reform package, but also but also closes the budget gap and takes into account the recent Supreme Court ruling on adequate funding for education. A tax package that fails to close the minimum gap will either require hundreds of millions more in cuts, or it will require yet another tax package in 2018. Please do not let this crisis linger another year. Closing the entire gap now is the only way to get Kansas back on a path toward prosperity.