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JOINT TAX COMMITTEE

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**GOVERNOR BROWNBACK'S PRO-GROWTH PLAN
REVISING KANSAS TAX POLICY**

What should be the function of the state of Kansas tax statutes?

- Finance the state budget? YES
- Establish and promote economic policy? YES
- Establish and fund social policy? NO

SOCIAL PROGRAMS

Social programs should be funded by the government, with that there is no argument. However, benefits should be provided via the programs themselves as opposed to being disbursed as tax refunds through the income tax system. By disbursing via the respective programs, recipients can be properly screened, eligibility established and counseled, if need be. Distributing benefits through the tax system is efficient in its administration but inefficient in targeting the benefits to those truly in need and deserving. If a program or a beneficiary's benefits under the program need to be modified, it needs to be done via the program as opposed to a change to the tax statutes that affects everyone and is politically charged as a tax increase or tax decrease.

Social programs should stand on their own, be transparent, be accountable but not be administered through the tax collection system.

OVERALL TAX POLICY

The state's tax policy needs to be one that promotes the economic growth of the state for all of its citizens. What the state needs are more taxpayers, not more taxes. In 2004, I was president of the Wichita Metro Chamber of Commerce. At that time (and still today), I spoke in terms of "Economic development is a four letter word: JOBS." This needs to be the mantra for the future of Kansas.

The governor's plan to exempt business income from Kansas taxation is a bold plan to stimulate job retention, job expansion and job recruitment to the state of Kansas.

As a tax professional for approximately 40 years, I have observed that the federal and state tax statutes are constantly changing in their complexity and reach. Federal as well as state initiatives to drive economic policy are structured through the respective governing body's tax codes. The results of these legislative actions are to create the loopholes (incentives, subsidies) that have received so much notoriety in the press and the Occupy This or That groups of recent days.

The governor's plan to broaden the base and simplify the Kansas tax statute will accomplish a significant number of goals in this tax professional's opinion as follows:

- The exemption of business income from Kansas income tax will result in more capital being retained by the business for capital investment and new employees.
- For the small self-employed Kansas business person, the increase in disposable income created by the income tax savings will likely result in increased personal spending that further drives the local economy and corresponding sales tax collections.
- Increased hiring of employees will increase the tax base of the Kansas economy.
- Elimination of the business income from Kansas income tax will dramatically reduce the tax compliance burden on the Kansas business taxpayer.
- Elimination of the various tax credits will reduce compliance burden on the taxpayer and reduce enforcement costs on the Kansas Department of Revenue.
- Elimination of itemized deductions is mitigated as follows:
 - For the self-employed Kansas business taxpayer, the trade-off of exempt business income for loss of itemized deductions results in a benefit to the taxpayer.
 - For the salaried taxpayer, the reduction in the tax rate by 1.55% helps offset the loss of the itemized deductions.
 - The federal government will likely curtail itemized deductions in the future as it looks to broaden its base and simplify the federal code.
 - Doubling of the standard deduction for head of household taxpayers will result in a number of Kansas taxpayers receiving a higher deduction that they may have had if they had itemized.

The governor's plan is bold and innovative. It deserves serious consideration.