

TESTIMONY
BEFORE THE KANSAS SENATE

SB 339

By

Sunny P. Smith

Wichita, KS

February 8th, 2012

Mr. Chairman. Good morning and thank you for the opportunity to provide this testimony.

My name is Sunny Smith. I am a business owner in Wichita and, apart from a brief stay in Nebraska and Texas, a lifelong resident of this great state of Kansas.

My businesses are all subchapter-s corporations and they collectively employ over 50 people. These businesses are of a type that could be located in any state.

Prior to Governor Brownback's introduction of his proposal to eliminate state income taxes, my wife and I spent the better part of last year looking for a new place to live in Texas, Tennessee, and/or Florida. The primary purpose of our move was to reduce our tax burden.

I am not motivated to reduce my tax burden purely out of greed, rather, there are two main reasons:

① **Investment**

My income is derived from businesses that I start and grow. If I have more available income to reinvest then I can do more and be more competitive. It is better to have more assets such as employees and equipment than liabilities like taxes. I can actually launch and cash flow a new startup business with the income tax that I pay to Kansas. Why not move then?

② **Charitable Giving**

The more income that we have available the more my wife and I can give.

For example, we are involved with the Sunlight Children's Advocacy & Rights Foundation in Butler County. They aim to build a Children's home to serve the needs of displaced children in Butler Country. The capital campaign for the new

Sn. Assmnt & Tax
2-14-12

Attachment # 7

building is just beginning. If we move to Texas, we could make a significant contribution to this charity. Here in Kansas, not so much. In this case, we are able to better the lives of Kansas's children more effectively by NOT living in Kansas.

The best argument *against* eliminating state income tax for business owners is that these people will just keep the money or they will spend it outside the state, which is of no benefit to the state. In essence, people have been enriched with no gain for the state. Studies have been cited that purportedly confirm this scenario.

Will people do this? Some, yes. Most, no. Most will do as I plan. Invest and give. Investment means more jobs and more taxes for the state, counties, and cities. More giving means more people dealing with today's social problems on their own with less dependency on state funds (i.e. reduced spending).

Summary

Eliminate state income tax for businesses and Kansas will grow stronger and stronger year after year. Anything less and Kansas will continue to be the business incubator. As soon as a business grows to maturity, it leaves to Texas, Nevada, or Florida. The entrepreneur drain, if you will.