

House Committee on Taxation
Hearing on HB 2023
January 19, 2017
Written Statement by Lyle Butler, CEO/President
Manhattan Area Chamber of Commerce

Mr. Chairman, I am Lyle Butler, President/CEO of the Manhattan Area Chamber of Commerce. I have been in my present position for 16 years with a total of 27 years in the chamber/economic development profession, mostly in the state of Kansas. My purpose here today is to briefly share my thoughts relating to the repeal of the LLC non-wage income tax exemption.

Historically, Kansas has had a broad-based state and local tax structure since the 1930s. A diversified revenue portfolio that does not rely too heavily on a single source allows state and local governments to better withstand economic downturns. The Governor's Tax Equity Task Force in 1995 agreed with this principle, concluding as a major tax policy objective that the state and local tax system should be balanced and diversified. This will also result in lower rates on each separate form of tax, and reduce the pressure of competition from other states that have lower rates for a particular tax.

In 2012, the legislature eliminated the Kansas income tax for sole proprietors, sub chapter S corporations, limited liability partnerships (LLPs), and limited liability corporations (LLCs). It also reduced the Kansas income tax rates for individuals. The stated agenda of the Governor and some in the legislature was and is to eliminate the Kansas income tax entirely. Now, as the legislature attempts to balance its budget, it has depleted state reserves and struggles to provide many essential public services. We encourage the legislature to review and identify a fair and responsible mix of funding sources.

We believe that the spirit and intent of HB 2023 is a starting point for the discussion of a more balanced revenue stream. While the bill may not be perfect, it begins to address the imbalance in the various revenue sources necessary to maintain a healthy state and local infrastructure, while providing the means to finance educational and social service initiatives that are important for developing and maintaining a vibrant workforce for Kansas businesses. Please continue your efforts to modify and recalculate a tax and revenue model that will place the state's finances back on solid ground.

Thank you.