



The Voice of Small Business®

**Testimony in Opposition to HB2023
Before House Taxation Committee**

**Mr. Daniel Murray, Kansas State Director
National Federation of Independent Business
Thursday, January 19, 2017**

On behalf of the National Federation of Independent Business (NFIB), thank you for the opportunity to submit testimony on HB2023. NFIB is the state's leading small business organization representing small and independent businesses. A non-profit, nonpartisan organization founded in 1943, NFIB represents the consensus views of its over 4,200 members in Kansas.

The NFIB opposes HB2023, which wallops Kansas small businesses with a nearly \$200 million income tax punch. The bill reverses course on the state's promise to reduce and eliminate income taxes on individuals and small businesses. It will inject uncertainty and complexity into small business operations and remove vital investment dollars from the Kansas economy.

Listen, we understand there's no good solution to the budget problem, but there are better solutions and worse solutions. The worst solution of all would be rolling back the job-creating income tax cuts on small business; the very businesses that can least afford to pay them. Allowing small business owners to keep more of their hard-earned money to reinvest in and grow their business is sound policy that is growing the Kansas economy. The small business income tax exemptions have only been in place for a few short years, and in spite of missed revenue projections, there has been extremely positive indications the policy is having its intended effects. We urge you to avoid "throwing the baby out with the bath water," approach any changes with a cautious and reasonable eye, and not sock small businesses with a massive **retroactive** tax hike.

Further, small businesses need tax simplicity and predictability. HB2023 provides neither. In fact, the bill promises to create confusion and unexpected expense by making the tax increase retroactive to January 1, 2017. Many small businesses have likely spent their state income tax savings on capital upgrades or improved employee benefits. This means they aren't saving and paying estimated quarterly taxes, and will be hit with an unexpected, and possibly door-closing, tax bill on April 15, 2018. Just imagine what your small business constituents will think when they learn the legislature voted to increase their income taxes by hundreds of millions **AND** that this potentially unaffordable broken pledge is retroactive to this tax year!

For the record, because HB2023 proposes to tax small business income, we do support the provisions of the bill that restore the ability of affected small businesses to account for qualified business losses and various deductions.

Finally, I have heard countless stories from small businesses about the benefits of the 2012 tax cuts. Upon hearing of legislative efforts to repeal or roll back the cuts, many NFIB members have contacted me and their legislators to share what the savings have meant to their business operations. Attachment A (on back) is a sampling of testimonial comments submitted to legislators recently (I have removed identifying information). I urge you to consider these comments while you deliberate whether to increase taxes on small businesses.

Again, HB2023 retroactively increases taxes on small businesses by nearly \$200 million and will increase uncertainty and compliance costs. Our members strongly urge you to oppose the bill.

Attachment A. A Sample of Small Business Testimonials

Sent via email to: Representative x, Senator x

As a small business of 10 employees it has been a challenge these last 2 years. The tax breaks we receive allows us to continue and improve our business. Thank you for supporting small business and the family's they represent.

Sent via email to: Senator x, Representative x

These tax exemptions allow small companies to reinvest in their business and employees. We can put the savings to much more constructive use than the government could ever do. Do not send them to the unemployment office, save the tax cuts.

Sent via email to: Representative x, Senator x

The tax cuts we have experienced over the past couple of years have been a great help to our small no, our tiny little business. With so many other demands being made from various state and federal agencies impacting our pocketbooks to remain compliant with added regulations and laws, we do not need this added burden. Thank you for your past work. We appreciate all you do for small business in general.

Sent via email to: Representative x Senator x,

I own two small businesses in Kansas. The tax exemption that is in place for Kansas small business needs to stay in place. I truly believe that having that tax exemption advantage will pull more small businesses to the state of Kansas which in turn pulls more economic activity (more state revenue) for the state of Kansas. Small business is what has always been the key to pulling our economy out of a slump. Small business is the engine that really epitomizes the American dream. Having this tax exemption really helped both of my businesses in 2014 and allowed me to reinvest in my business and my employees. As an example, even though revenues were down in 2014 I hired two additional people to my staff (a 10% increase) anticipating a better year in 2015. That tax exemption helped make this happen. Adding jobs is always a good thing. Please keep this tax exemption in place.

Sent via email to: Representative x, Senator x

Please keep the tax cuts in effect. They allow my business to continue to grow and be a blessing to my community. The more of my money I am allowed to keep, the more I have to give and invest into my community to make it a better place. It also allows me to have more to reinvest in my company and grow it, so that there is more to give.

Sent via email to: Representative x, Senator x

Our family business has been in Kansas City, KS for over 100 years. My grandfather started the business in the xxx block of xxx Ave in 1912. We're dedicated to serving the citizens of Kansas City, providing quality products and services. The economy over the past few years has been less than stellar. The tax exemption of small business income has allowed us some breathing room to grow and reinvest in our business. If the exemption goes away we will have to curtail or eliminate our growth efforts with a resulting negative impact on the urban Kansas City community. Please keep our tax exemption in place. Let's work to grow small business and jobs in Kansas City.

Sent via email to: Representative x, Senator x

Our company has been able to make small improvements to our building, add a new location and improve technology with some of the funds that would have been used for taxes. Keep Kansas small businesses going in the right direction don't cause the loss of momentum in our communities.

Sent via email to: Representative x, Senator x

Small businesses are struggling and barely able to keep their heads above water. If you take away this one item, many more will shut down.

Sent via email to: Senator x

Many of us Small Business Owners are coming off one of the most difficult economic times in history. We have sacrificed our personal incomes, credit ratings not to count the innumerable amount of work it took to pull through. We are just now getting back on our feet so now is NOT the time to add any additional tax burdens.