

STATE OF KANSAS
HOUSE OF REPRESENTATIVES

STATE CAPITOL
300 S.W. TENTH AVENUE
TOPEKA, KANSAS 66612



(785) 296-7500
DURING SESSION:
1-800-432-3924
don.schroeder@house.ks.gov
www.kslegislature.org

DON SCHROEDER
DISTRICT 74

Chairman Johnson and Committee,

HB 2368 is a bill that was originally designed as an amendment to HB 2178, which was vetoed. But rather than risk running an amendment that had not had a committee hearing on the House floor, I was encouraged to introduce it as a committee bill.

This bill, HB 2368, is meant to be part of the package if the pass-through exemption is eliminated, so passing it alone and not attaching it to the pass-through exemption issue would not have the intended effect. If passed as a stand-alone measure it would only serve to increase the benefit of the existing pass-through exemption.

I believe HB 2368, combined with removing the pass-through exemption, would accomplish what the Governor's original intent was, which is to incent the creation of new jobs in Kansas. This bill does that by allowing a percentage deduction on income taxes based on the pay provided by the new job. However, this bill is a narrow and targeted approach rather than the shotgun approach that is currently in place.

HB 2368 would allow a 15% deduction the first year, then 10% and 5% the next two years based on the actual salary of the new position. I did not get a fiscal note but asked for an estimate of the cost of this if it were an amendment. The best estimate put the cost around \$20M, with the caveat that additional jobs would also bring additional withholding and sales tax, so the net longer term effects would likely be positive.

One other note is that the issue of refundability is not addressed as the bill is written. If the committee should decide to work the bill and combine it with elimination of pass-through exemptions, the Committee should decide if only a current year deduction is allowed or if a prior or future year carryback or carry forward is appropriate.

Thank you for your patience and attention.

Don Schroeder
District 74