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**Testimony on SB 188**  
**Senate Assessment and Taxation Committee**  
**Bernie Koch, Kansas Economic Progress Council**  
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Senator Tyson and members of the committee, thank you for the opportunity to give testimony.

I am Bernie Koch with the Kansas Economic Progress Council, a not for profit membership organization of businesses and individuals interested in advancing sound public policy in Kansas to enhance our state's quality of life.

You heard me testify on Senate Bill 147 last week, and much of what I have to say will be consistent with that testimony.

KEPC supports revisiting the income tax cuts and restoring a stable and balanced tax structure. Last week, I said SB 147 was a good start because it restored some of the income tax rate reductions and ends the business income tax exemption.

I also said it needed to go further; to end the trigger mechanism that begins to automatically reduce future income tax rates when revenues exceed two and a half percent. The legislation you are considering does just that and we believe this is a move in the right direction.

Income tax brackets are adjusted. We can't say we specifically support those. We have not honed in on a number. I know this is a process that needs to move forward and proposals will change as they move along. Overall, this is an improvement in direction.

I want to emphasize there is really no reliable information that Kansas is improving due to the 2012 income tax cuts.

Last week, the House Taxation Committee heard from Dr. Ken Kriz, the Distinguished Regents Professor of Public Finance at Wichita State University.

Dr. Kriz said there is no tax you can increase and not have a negative effect. Some are less negative than others, depending on the situation.

He also said taxes are usually not a huge part of how people or businesses make their decisions. It's more about regulations and quality of life.

The latest employment figures seem to bear that out.

Jobs in Kansas did not grow in 2016. Total nonfarm employment actually decreased by about 0.67 percent.

That's the lowest growth in the region and ranked us 46<sup>th</sup> in the nation in job growth.

<u>State</u>	<u>national rank</u>	<u>2016 job growth rate</u>
Missouri	6	2.26%
Colorado	14	1.81%
Nebraska	27	0.82%
Iowa	34	0.57%
Oklahoma	45	-0.35%
Kansas	46	-0.67%

Source: J.P. Morgan Chase Economic Outlook Center, Arizona State University

Taxes are not the top site selection factor according to the annual survey of business site selection executives by Area Development Magazine.

The top two factors are labor quality and availability; and highway accessibility.

Area Development says skilled labor availability, typically the number-one ranked issue in the 30 years of the survey, ranked even higher than previous years. It also ranked significantly higher than just the cost of labor, particularly for knowledge-based industries.

Government stability in revenue and services is a strong foundation of business growth. We support changes to the Kansas income tax to balance our revenue streams. This bill merits consideration by the legislature as you work to put Kansas back on solid financial ground.

Thank you for your consideration.