



January 13, 2021

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Kansas Action for Children
Verbal testimony in opposition to RS 2162
Senate Assessment & Taxation Committee

Chairwoman Tyson and Members of the Committee:

Thank you for the opportunity to provide testimony in opposition to RS 2162. Kansas Action for Children is a nonprofit, nonpartisan organization. Our vision is to make Kansas the best state to raise -- and be -- a child, and our organization shapes health, education, and economic policies that improve the lives of Kansas children and families. We support budget and tax policy that prioritizes investing in children and families, particularly among those with low incomes.

Transparency is essential to the legislative process

While KAC appreciates the committee tackling big topics early in the session, particularly given the unpredictability of the legislative session due to the COVID-19 pandemic, KAC expresses concern about the short turnaround from this bill's introduction yesterday to this morning's hearing. Such a rushed action does not give advocates enough time to read and analyze the bill and submit testimony. Even worse, it does not give time for Kansans who would be affected by the change to participate in the legislative process. Kansas Action for Children urges the committee to consider how to make the process more inclusive.

Please note: Due to the bill not being posted online or available prior to this testimony being drafted, KAC is submitting our testimony based on our understanding of the bill's components.

Individual itemization won't help most Kansans facing economic insecurity

Kansas Action for Children encourages the committee to examine the bill to determine which taxpayers would most benefit. Research from the Institute on Taxation and Economic Policy (ITEP), based on a similar bill last year (HB 2005), shows that roughly one-in-10 taxpayers (13 percent) in the bottom 80 percent of income would benefit from the bill. In contrast, more than four-in-10 taxpayers (42 percent) in the top 20 percent of income would benefit. This proposal would not drastically reduce the tax liability of low-

and moderate-income taxpayers (those who have been most affected by COVID-19). Instead, it would overwhelmingly favor the highest earners in Kansas (those who have been the least affected by the economic downturn).

In addition, this part of the bill will affect the state's revenue stream. A fiscal note created last year for similar legislation (HB 2005) showed a \$98 million decrease in revenue going into the state general fund in the first year. With the current economic downturn, Kansas is facing a revenue shortfall in FY2022. Your committee should be considering additional revenue raisers, not reductions.

The legislation is risky because we do not know the full effect on the Kansas Department of Revenue, as it will have to assume responsibilities in areas previously covered by the federal government, such as fraud monitoring. The fiscal note for the comparable bill last year (HB 2005) indicates that roughly \$285,000 a year would be needed to help the department implement the bill, monitoring for fraud and abuse by developing forms, hiring staff, and changing computer systems. We will simultaneously spend money while losing revenue. This will undercut our state budget's fiscal stability while undermining our ability to invest in proven programs that help children and their families.

Corporate tax breaks reward those who have avoided tax obligations

This year will mark the fourth year the Legislature has considered a bill proposing to decouple from federal changes made in the 2017 Tax Cuts and Jobs Act (TCJA). These changes were made in recognition that many large U.S. multinational corporations attempted to dodge their tax obligations, by shifting their income to lower-tax jurisdictions, for example.

Again, this component of the bill is not revenue neutral. Based on the fiscal note from similar legislation last year (HB 2553), this portion of the bill will decrease revenue by roughly \$178 million in the first year alone, with most of that tax break going to multinational corporations.

We urge you to reject calls that foster corporate tax avoidance. We request you prioritize the needs of small Kansas businesses who have been struggling to stay open during the COVID-19 pandemic. We encourage you to concentrate on our state's lengthy list of needs for reinvestment, debt reduction, and securing a fiscal foundation to recover from this economic downturn.

Lawmakers should reject calls for legislation like RS 2162 and instead concentrate on the state's lengthy list of needs as Kansas works toward recovery. Thank you for the opportunity to voice our opposition to this bill, and please do not hesitate to contact me at emily@kac.org if you have any questions.