

**Testimony before the House Tax Committee
HB 2763 –The Economic Freedom Act of 2014
Presented by J. Kent Eckles, Vice President of Government Affairs
Thursday, March 15th, 2012**



The Kansas Chamber appreciates the opportunity to present testimony in opposition to HB 2763.

Generally, we applaud efforts to reduce income taxes. We have appeared before this committee in support of the Governor’s tax reform measure this year (HB 2560) and the House’s alternative tax reform measure (H Sub for SB 177). As you recall, last session we appeared before you in support of House Substitute for Senate Bill 1. Simply put, reducing income taxes is not an aggressive enough approach – we must set long term tax policy that eventually eliminates income taxes over time based on growth in state tax receipts, something the two aforementioned bills we supported accomplish.

We agree with the proponents of this bill as do most of the world’s economists, that having a consumption tax is the most pro-growth tax policy a government entity can have. Unfortunately for Kansas, its biggest source of tax receipts is via income taxes. Sales tax receipts have shown to be a more stable source of tax receipts than income or property, so states that derive a larger portion of their receipts from consumption taxes are more insulated from economic downturns.

This bill on the other hand accomplishes income tax reductions in part by taxing some professional services. While we recognize the authors of this bill have attempted to exempt business-to-business transactions from this new tax, it does not exempt business-to-government transactions. Our members who sell professional services to state and local units of government would automatically be placed at a 6-10% price disadvantage, which state and local units of government would then have to absorb, thus increasing pressure on the legislature to raise other taxes to make up for their increased cost of providing services.

The Kansas Chamber has a long-standing policy against such tax increases and believes this bill serves as the proverbial “nose under the tent” on taxing all professional services – particularly at the business-to-business level. Should this bill become law, some will ponder why we tax certain services and not others and thus is a dangerous road to go down because such taxes will mean thousands of lost jobs in Kansas.

There are literally hundreds of leases all over Kansas, but particularly in the border counties that stipulate the lease is null and void if the State of Kansas institutes a tax on professional services. We think it’s unwise to pass such a law that would literally drive thousands of jobs out of the state.

We urge the Committee to not pass HB 2763.

The Kansas Chamber, with headquarters in Topeka, is the leading statewide pro-business advocacy group moving Kansas towards becoming the best state in America to do business. The Chamber represents small, medium and large employers all across Kansas.

