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House of Representatives

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Daniel R. Hawkins
Representative, 100th District

March 21, 2017

Testimony on HB2384 before the House Tax Committee

Chairman Johnson, VC Phillips and members of the House Taxation Committee. I appear before you today in support of HB2384.

Kansas has grappled with a budget and tax imbalance since 2012 when the legislature passed a bill carving out the business pass through income along with collapsing and lowering the individual tax rate. In a normal cycle I believe the 2012 tax plan would have been just fine. However, we were not entering a normal time. Instead we entered a prolonged downturn in our national and state economy.

An item of tax that I became interested in during the ensuing years was the use of Sales Tax exemptions. All of you have seen the \$6 Billion plus we have on the books in sales tax exemptions. This should be one of the easiest components of our tax system to correct. But in practice it is the most difficult politically. Just to emphasize how difficult this is I will share a story with you. In the off season of 2015 I met with then Senator Les Donovan, the Senate Tax Chair. I shared with the Senator my plan to do away with as many of the sales tax exemptions as possible. Senator Donovan had a smile on his face most of the time I was sharing my idea. After I finished talking, Senator Donovan said, I fought this fight 7 years ago and was beat up every way you can imagine. The lobby is too strong to fight this fight again.

Although I understand where Senator Donovan was coming from, I do believe we should look at every opportunity to roll back the number of Sales Tax exemptions on our books. HB2384 lists a number of personal service exemptions and other service exemptions. The amount of revenue generated by this bill is \$51.8 million in 2018. This is no small amount. A million here and a million there, now we are talking about real money.

Our Sales Tax exemption laws should be based on the idea that we will not tax a good or service until it is sold. Hence, the large ticket items in our list of exemptions are items that are either taxed in a different way or are an input to a final product that will be taxed when sold. The items on this list are not currently taxed and are not in my definition an input item that will be ultimately taxed at the consumer level.

Moving forward with HB2384 would expand the sales tax base to some person services and raise \$51.8 million. The expansion of the sales tax to services would be a good first step toward a properly structured tax code. I ask for your support in passing out HB2384.

Thanks,

A handwritten signature in black ink that reads "Daniel R. Hawkins".

Daniel R. Hawkins
Rep. 100th Dist.