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Written only testimony in support of House Bill 2753
House Taxation Committee

Chair Johnson and Members of the Committee:

Thank you for the opportunity to provide testimony on Kansas tax policy. The Kansas Center for Economic Growth (KCEG) is a nonpartisan organization dedicated to promoting balanced budget and tax policies that help ensure all Kansans prosper. **We are submitting testimony in support of House Bill 2753 because we support an evaluation process around economic development data to analyze the effectiveness of tax incentives and to guide policy moving forward.**

As lawmakers heard in the legislative post audit report from October 2017, “Kansas Tax Revenues: Reviewing How Other States Inventory and Evaluate Tax Credits and Exemptions,”ⁱ research from the Pew Charitable Trusts identifies three steps states should take to effectively evaluate tax incentives:

- **Make a plan.** Lawmakers need to put processes in place to regularly evaluate the results of major tax incentives. Well-designed evaluation plans ensure that the state’s full portfolio of incentives is examined, that nonpartisan staff with relevant expertise are tasked with the analyses, and that the reviews take place on a strategic schedule.
- **Measure the impact.** High-quality evaluations carefully assess the results of incentives for the state’s budget and economy. To do so, evaluators must estimate the extent to which incentives successfully changed business behavior, as opposed to rewarding what companies would have done anyway.
- **Inform policy choices.** Lawmakers and executive branch officials should use the findings of evaluations to improve the effectiveness of tax incentives. Policy improvements are more likely when states have a formal process that ensures

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lawmakers will consider the results — for example, by holding legislative hearings on evaluations.ⁱⁱ

While this bill proposes collecting information about tax incentives, we would like additional clarity about how the impact of tax incentive programs will be calculated. Additionally, KCEG would like additional detail on how evaluation of economic development data will occur. While this legislation seems to meet several aspects of Pew's best practices, the next important step is to make policy decisions informed by that evaluation. We would also like to ensure all currently active tax credits, tax exemptions, and economic development programs are included in this bill.

Evaluation of tax incentive programs can accomplish two things. First, the evaluation will help shed light on the success and effectiveness of these programs. Second, the evaluation will help policymakers be good stewards of Kansas' resources and identify the most effective ways to bolster job creation. If tax incentives are found to be ineffective, policymakers can take other approaches to job growth and encourage entrepreneurship across the state. However, evaluation of these programs can only be done effectively if the desired outcomes of each program are clearly defined.

Thank you for the opportunity to submit testimony in support of House Bill 2753, and please do not hesitate to contact me (heidi@realprosperityks.com) if you have any questions.

ⁱ <http://www.kslpa.org/assets/files/reports/r-17-015.pdf>

ⁱⁱ <http://www.pewtrusts.org/en/research-and-analysis/reports/2017/05/how-states-are-improving-tax-incentives-for-jobs-and-growth>