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Testimony on HB 2043

Mr. Chairman and members of the House Taxation Committee. Tax credits, and incentives are one of Kansas' primary economic development tools. The state forgoes around \$6 billion through credits and exemptions. According to Pew Charitable Trusts, evaluation is a proven way to improve the effectiveness of incentives. Other reasons to support the evaluation of tax credits are:

- Kansas trails other states in following best practices for evaluating tax incentives (According to Pew)
 - Kansas ranked in the lowest performance category
- Kansas has no formal policies requiring regular, systematic evaluations of major tax incentives
 - The state has a comprehensive inventory of all available tax credits and exemptions that can be looked at
- The limited evaluations that Kansas does have do not address the cost or economic impact of tax incentives
- There is no formal process in place to ensure that lawmakers consider the results of tax incentive evaluations
- Many neighbors of Kansas meet many of Pew's best practices
 - Nebraska, Oklahoma, Iowa, Colorado, and Missouri all have formal policies in place that require regular evaluations of all major tax credits and exemptions
 - Most of these states also have a formal process in place that insures lawmakers consider the results of evaluations
 - Pew considers Kansas a "trailing" state compared to our neighbors

Last year, Legislative Post Audit did a study looking at reviewing how other states inventory and evaluate tax credits and exemptions. LPA came up with three recommendations that they proposed to the Legislature:

- The Legislature should identify major credits and exemptions to regularly review and assign one or more state agencies to conduct evaluations of these incentives on a predetermined multiyear schedule.
- These regular evaluations should assess the impacts of incentives on the economy and taxpayer behavior compared to their costs.
- The Legislature should also require appropriate legislative committees to consider evaluation results as part of their policy decisions.

Submitted By,
Rep. Jim Gartner

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