



Testimony in Support of House Bill 2061
Mr. Daniel Murray
Kansas State Director, National Federation of Independent Business

House Committee on Taxation
February 14, 2023

Chair and members of the committee, I am pleased to submit testimony in strong support of the bill on behalf of NFIB Kansas. NFIB Kansas is the leading small business organization in Kansas representing small and independent businesses. A non-profit, nonpartisan organization founded in 1943, NFIB Kansas represents the consensus views of its over 4,000 members in Kansas.

House Bill 2061 would eliminate the individual income tax for taxpayers with income under \$15,000 (\$30,000 for married filing jointly) and set the individual income tax rate to 5.0% for income over \$15,000 (\$30,000 for married filing jointly). Additionally, the bill would lower the corporate tax rate to 5.0%. Finally, and maybe most importantly, the bill creates a trigger to reduce the individual and corporate tax rates based upon future revenue. This provision would responsibly ensure that Kansas small business owners are getting back their hard-earned dollars as state revenues grow.

As of 2022, there are more than 258,000 thousand small businesses – representing 99.1 percent of all firms in Kansas– and they employ over 600,000 workers, over half of the state’s workforce. Indeed, small businesses are the backbone of the Kansas economy. And taxes matter to our vital small business sector. In our most recent ***Small Business Problems and Priorities***, NFIB confirmed that taxes continue to be a significant problem for small business owners. The study found that **tax rates AND tax complexity are four of the top ten problems confronting small businesses.**

The income tax reductions and simplicity proposed in this bill, particularly on individual income (75% of small businesses are unincorporated pass-through entities, meaning most owners report business income on their personal taxes), will address small business tax concerns. First, the bill will allow the owner to share more profits with employees through higher salaries and bigger benefits and to plow additional revenue back into the business through capital investments. Further, the signal rate simplifies the tax code and makes tax compliance easier for small business owners, most of whom don’t have in-house accountants. Significantly, if the proposed trigger is successful in reducing the rates to 0.0%, the burden of compliance with state income taxes will be removed altogether and Kansas will join other states in being an attractive state to locate and grow a small business.

Thank you for your consideration of our comments, and we strongly urge you to vote favorably for the passage of this legislation.