

Testimony on HB 2585
House Committee on Taxation
Wednesday, February 7, 2024 3:30PM
Mark Hutton, Founder of Hutton Construction

Chairman Smith and Committee members.

My name is Mark Hutton and I am the founder of Hutton Construction, a commercial general construction firm headquartered in Wichita with offices also located in McPherson, Salina and Garden City.

I come before you today to encourage your support of HB2585 that seeks parity related to the difference between how sales tax is charged on commercial and residential remodeling projects. In Kansas, sales tax is charged only on materials used in new commercial and residential construction and residential remodeling projects. Commercial remodel projects are taxed differently, where sales tax is charged on the total contract amount. This results in a significantly higher tax burden on commercial remodeling projects. An example of this would be the \$85,000 tax bill on a \$1,000,000 commercial remodel project vs a \$20,000 to \$30,000 tax bill if it were taxed as a residential remodel project. This cost is even higher if it is financed and the disparity increases on labor intensive remodel and restoration projects.

I have seen first-hand the impact of this higher tax burden, requiring a small business owner to either reduce the scope of their project or abandon it all together. At the end of the day this hurts everyone. Contractors and their trades people forgo projects, profits and wages. The small business isn't able to build what they need to thrive, buildings continue to deteriorate and the state, county and city property tax base isn't enhanced.

While bringing parity to this issue would incentivize remodeling of inner city buildings, putting old buildings back to work, raising property valuations and property tax revenue, all while simplifying the tax code the real winner would be small businesses that could more afford to grow their operations.

HB2585 is needed to level the playing field for small businesses and I encourage you to support it.