



Senator Tyson and Members of the Committee:

Please accept this opponent testimony on SB 79, a bill to authorize counties to impose an earnings tax.

Kansas families are paying \$718 more a month compared to January 2021 as a result of high inflation.ⁱ The earnings tax would be an additional burden posed on the work Kansas are doing to try and finance their way through increases prices.

The earnings tax is a tax on income, which in turn negatively affects economic growth. Higher tax rates on income reduces people's willingness to work and decreases their productivity. Between 1956 and 2004, Germany's hours of work decreased by about 40% while the United States' stayed roughly the same, largely due to taxes.ⁱⁱ In fact, lowering the income tax increases the number of people working and the number of hours they work, with the most significant effects coming from tax cuts for people with lower incomes.ⁱⁱⁱ

Local government in Kansas is already a significant burden on taxpayers and the economy. Kansas has the second highest number of local government employees per capita in the country and the third lowest amount of residents per unit of government.^{iv} An earnings tax would further fuel the growth of government spending at the expense of the taxpayers.

Despite warnings of revenue collapse during COVID-19, county and city sales tax collections have continued to grow. In fact, between 2020 and 2021, cumulative sales tax collections in Kansas increased by 10%.^v Combine this money with ARPA cash that has bolstered local coffers and the earnings tax is another burden on taxpayers instead of filling a necessary hole.

Kansas county per-resident spending showed thousand-dollar differences between how counties spend. For instance, counties with populations between 6,000 and 10,000 people differed in their per-resident spending from a high of \$3,038.58 to a low of \$949.97.^{vi} Counties can find way to more efficiently spend instead of relying on an earnings tax.

Thank you for the opportunity to provide this testimony.

ⁱ United States Congress Joint Economic Committee. Kansas' Monthly Household Inflation Costs. JEC Calculations using: Bureau of Economic Analysis, Personal Consumption Expenditures; Bureau of Labor Statistics, Consumer Expenditure Survey; Census Bureau; American Community Survey. Retired February 17th, 2023, <https://www.jec.senate.gov/public/index.cfm/republicans/kansas-inflation-report/>.

ⁱⁱ Lee Ohanian, Andrea Ruffo, and Richard Rogerson. Long-Term Changes in Labor Supply and Taxes: Evidence from OECD Countries, 1956-2004. NBER Working Paper No. 12786, <https://www.nber.org/digest/may07/higher-tax-rates-reduce-working-hours-oecd-countries>.

ⁱⁱⁱ Andreas Piechl. Flat-rate tax systems and their effect on labor markets. IZA World of Labor, <https://wol.iza.org/articles/flat-rate-tax-systems-and-their-effect-on-the-economy/long>.

^{iv} Kansas Policy Institute. 2022 Green Book. <https://kansaspolicy.org/2022-green-book/>.

^v Kansas Department of Revenue. City/County Annual Local Sales Tax Reports, 2020-2021. <https://www.ksrevenue.gov/prsalesreports.html>

^{vi} Kansas Policy Institute. County Budgets Review: Brining Savings to Families. August 6, 2020, <https://kansaspolicy.org/county-budgets-review/>.