

Chair Smith and Members of the Committee,

On behalf of the Americans for Prosperity Kansas Chapter, we appreciate this opportunity to submit testimony in support of HB 2318. HB 2318 establishes a mechanism for reducing Kansas income tax rates based on revenue performance, with reductions continuing until rates reach a specified minimum. We hold the following positions on HB 2318.

1. HB 2318 Provides a Sustainable Path to Tax Relief
2. Lower Income Tax Rates Strengthen Economic Growth
3. HB 2318 Supports Long-Term Budget Planning

HB 2318 Provides a Sustainable Path to Tax Relief

One key advantage of HB 2318 is its commitment to fiscal responsibility by tying income tax reductions to actual revenue growth exceeding inflation-adjusted levels. This approach aligns with best practices recommended by the Pew Charitable Trusts, highlighting the importance of managing revenue volatility through data-driven tax policies. Research from Pew finds that states that allow tax policy adjustments based on revenue fluctuations are better equipped to handle economic downturns without resorting to sudden tax hikes or spending cuts.¹

Moreover, research by the Mercatus Center highlights how states with structured tax limitation measures—such as Colorado’s Taxpayer’s Bill of Rights—achieve long-term fiscal stability while keeping tax burdens low.²

Lower Income Tax Rates Strengthen Economic Growth

There is strong evidence that lowering marginal income tax rates—when done in a measured and sustainable manner—can enhance economic performance. A study from the American Legislative Exchange Council found that states with lower income taxes consistently experience more substantial job growth and higher in-migration rates.³

Another study from the National Bureau of Economic Research found that states with lower income tax burdens experience higher levels of job creation and wage growth, mainly when tax reductions are linked to revenue benchmarks.⁴ Kansas can remain competitive by ensuring tax relief is structured to encourage business expansion and labor force participation.

¹ Pew Charitable Trusts, *Tax Revenue Volatility Varies Across States*, 2023, <https://www.pewtrusts.org/en/research-and-analysis/reports/2023/06/tax-revenue-volatility-varies-across-states>

² Mitchell, T & Stansel, D., Mercatus Center at George Mason University, *State Fiscal Rankings: Tax and Spending Limitations and Their Effects*, 2019, <https://www.mercatus.org/publications/fiscal-policy/state-fiscal-rankings>

³ Laffer, A., Moore, S., & Williams, J., American Legislative Exchange Council, *Rich States, Poor States: ALEC-Laffer State Economic Competitiveness Index*, 2023, <https://www.richstatespoorstates.org>

⁴ National Bureau of Economic Research, *State Taxes and Economic Growth: Empirical Evidence from U.S. States*, 2022, <https://www.nber.org/papers/w30221>

HB 2318 Supports Long-Term Budget Planning

Kansas has experienced periods of volatile revenue collections due to unpredictable tax policies. HB 2318 prevents hasty tax cuts that could lead to revenue shortfalls, ensuring that reductions are data-driven and aligned with actual economic performance. The Kansas Legislative Research Department's revenue estimates indicate that tying tax reductions to revenue growth helps stabilize budgeting while still providing tax relief when the state can afford it.⁵

Moreover, the Government Finance Officers Association recommends that states implement tax policies tied to revenue performance to maintain budget stability and avoid fiscal crises.⁶ By incorporating this framework, HB 2318 helps Kansas prevent revenue shortfalls while still offering tax relief to residents when state finances allow.

We encourage the Committee to pass HB 2318 in its current form.

⁵ Kansas Legislative Research Department, *Consensus Revenue Estimates Report*, 2024, <https://www.kslegresearch.org/revenue-estimates>

⁶ Government Finance Officers Association, *Best Practices for Revenue Forecasting and Budget Stability*, 2023, <https://www.gfoa.org/materials/revenue-forecasting-best-practices>