



Testimony in Support of House Bill 2318
Mr. Daniel Murray
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House Committee on Taxation
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Chair and members of the committee, I am pleased to submit testimony in support of the House Bill 2318. 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 nearly 3,600 members throughout the state.

House Bill 2318 makes significant changes to the state's personal and corporate code. This bill introduces a mechanism for automatic income tax rate reductions in Kansas that would be triggered by revenue collections exceeding inflation-adjusted baseline amounts. The legislation establishes fiscal year 2024 as the base year, with base revenues set at approximately \$10 billion, and creates a process for evaluating whether tax cuts should be implemented starting August 15, 2025. The bill establishes a systematic approach to tax reduction. Each year, the state budget director, working with the legislative research director, will determine if the previous fiscal year's revenue collections exceeded the inflation-adjusted base year amount. If there is an excess, the Secretary of Revenue must calculate and implement proportional reductions to the state's income tax rates.

The tax reduction process follows a specific order. Initially, all tax rates will be reduced proportionally until the lower income tax rate reaches 4.5%. After that point, only the higher income tax rate will be reduced until it also reaches 4.5%. Finally, the corporate surtax will be reduced until the combined normal tax and surtax rates equal 4.5%. Once all rates reach 4.5%, no further reductions will occur.

The bill also outlines the current tax structure that would be subject to these potential reductions. For tax year 2024 and beyond, married couples filing jointly will pay 5.2% on income up to \$46,000 and 5.58% on income above that threshold. For all other individuals, the rate is 5.2% on income up to \$23,000 and 5.58% on income exceeding that amount. Corporate taxpayers pay a normal tax of 4% plus a surtax of 3% on income over \$50,000.

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 will address small business tax concerns. The bill will lower the tax burden and 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.

We urge the legislature and the Governor to send hard-earned taxpayer dollars back to Main Street where small business owners can reinvest in their employees and businesses. Thank you for your consideration of our comments, and we respectfully ask you to vote favorably for the passage of this legislation.