



Chair Tyson and Members of the Committee,

We appreciate this opportunity to submit **opponent testimony for SB 108**, which allows Kansas counties to impose a 1% earnings tax. We hold the following position on SB 108:

1. The Economic Harms of SB 108
2. SB 108 Will Lead to a Growth of Government
3. SB 108 Creates Administrative and Logistical Challenges

### **The Economic Harms of SB 108**

Economic research shows that income taxes discourage work, investment, and entrepreneurship. A study by economists William McBride and Stephen Entin of the Tax Foundation finds that "income taxes—particularly progressive ones—are the most harmful to economic growth" because they reduce the incentive to earn more and invest in businesses. States that rely more heavily on income taxes experience slower job growth and lower GDP increases than those that emphasize consumption-based taxation.<sup>1</sup>

Further, a county-level income tax would create disincentives for businesses and residents to locate or expand within jurisdictions that adopt it. Evidence from local income taxes in states like Ohio and Maryland shows that higher local taxes push businesses and workers toward lower-tax areas, eroding the tax base over time.<sup>2</sup>

### **SB 108 Will Lead to a Growth of Government**

Allowing counties to impose an income tax would open the door to ever-expanding local government budgets. Research from the Mercatus Center at George Mason University finds that once a new tax is introduced, spending tends to grow to meet the available revenue rather than being used as a last resort. This "fiscal illusion" phenomenon occurs when governments expand programs based on projected revenue rather than demonstrated necessity.

Kansas already struggles with government overspending at both the state and local levels. Instead of introducing a new revenue stream, lawmakers should focus on fiscal responsibility, spending limits, and tax policies that encourage growth, not redistribution.

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<sup>1</sup> McBride, W., & Entin, S. (Tax Foundation). *The Impact of Income Taxes on Economic Growth*, Dec 18, 2012, <https://taxfoundation.org/research/all/federal/what-evidence-taxes-and-growth/>

<sup>2</sup> Ohio Department of Taxation. *Effects of Local Income Taxes on Business Relocation Decisions*.

## SB 108 Creates Administrative and Logistical Challenges

A countywide income tax would introduce severe administrative burdens for local governments and taxpayers. Unlike sales taxes, which are relatively simple to collect at the point of purchase, income taxes require extensive reporting, compliance, and enforcement mechanisms.<sup>3</sup> This raises several concerns:

1. **Inter-County Tax Avoidance:** Workers who commute across county lines would face complex tax-filing requirements, potentially needing to apportion their income between multiple jurisdictions.
2. **Compliance Costs for Businesses:** Employers would be forced to track and withhold local employee income taxes based on residency, adding another layer of administrative burden.
3. **Revenue Volatility:** Income taxes fluctuate significantly with economic cycles, making them an unstable revenue source. Counties relying on income tax revenue could experience sudden budget shortfalls during economic downturns, forcing cuts to essential services.

Kansas should remain committed to policies that promote economic freedom, fiscal restraint, and government accountability. Introducing a countywide income tax would counter these principles, discouraging economic activity while increasing bureaucratic complexity and government overreach.

For these reasons, I urge this committee to oppose Senate Bill 108.

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<sup>3</sup> Maryland Public Policy Institute. *Local Income Taxes and Their Impact on Economic Growth in Maryland Counties*.