

**Senate Committee on Assessment and Taxation  
Neutral Testimony on Senate Bill 377  
Presented by Eric Stafford, VP of Government Affairs, Kansas Chamber**

**Wednesday, January 31, 2024**

Madam Chair and members of the committee, my name is Eric Stafford, Vice President of Government Affairs for the Kansas Chamber. The Kansas Chamber represents small, medium and large-sized businesses across the state, advocating for policies which improve the economic climate in Kansas. We appreciate the opportunity to provide neutral testimony on Senate Bill 377, which reflects the tax plan proposed by Governor Kelly. SB 377 proposes to:

- Eliminate income taxes on Social Security
- Increase the \$42,000 exemption for the 20-mill statewide property tax for schools to \$100,000
- Raise the standard deduction
- Double the child care tax credit; and
- Provide a sales tax holiday for school supplies

While we appreciate Governor Kelly's acknowledgement that Kansans need tax relief, our concern with this proposal is the lack of structural reform to Kansas' tax code. Throughout the pandemic as states have seen record tax revenues, our surrounding states have taken action to reduce their personal and corporate income tax rates, placing Kansas in an even more uncompetitive position.

Nebraska will have an income tax rate of 3.99% in 2027. Missouri has a top rate of 4.8% (4.5% in some instances). Colorado voters, a blue state, approved a ballot measure to reduce their single rate to 4.4%. Oklahoma has a top rate of 4.75%. Iowa adopted a single rate of 3.9% by 2026. Meanwhile, our top rate remains at 5.7%. Our sales tax burden is in the top 10 highest states and our property tax burden remains among the top 10 highest as well according to the Lincoln Institute.

These all become a factor for both businesses and individuals considering Kansas for investment or employment. In order to grow, Kansas must become more competitive. SB 377 includes sales tax and income tax exemptions. To quote the Tax Foundation in the recent Hawver State Affairs article, "what it doesn't do is change incentives for work, investment or job creation." The Legislature and Governor approved elimination of sales tax on food, which removes a large portion of revenue from the sales tax base. While Kansas was very uncompetitive on the treatment of taxing food and we understand the decision behind that, we must look now at structural changes to our rates, both sales and income, to improve our economic competitiveness.

In conclusion, we are grateful both parties are now focused on providing Kansans tax relief. Our goals are the same- to grow the state both from an investment and population perspective. However, SB 377 lacks the structural changes necessary to accomplish these goals. Thank you for the opportunity to testify today and I'm happy to answer any questions you may have.