



Testimony in Support of Senate Bill 539
Mr. Daniel Murray
Kansas State Director, National Federation of Independent Business

Senate Committee on Taxation
March 12, 2024

Chair and members of the committee, I am pleased to submit testimony in support of the Senate Bill 539. 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.

Senate Bill 539 makes significant changes to the state's individual code, including a significant increase in the Kansas personal exemption with an attached cost of living adjustment, a shift to a single rate of 5.7% and an annual decrease in the rate leading to a 5.45% level in 2029, and thereafter.

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, particularly on individual income (75% of small businesses are unincorporated pass-through entities, meaning most owners report business income on their personal taxes), will address small business tax concerns. First, 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. Further, the signal rate simplifies the tax code and makes tax compliance easier for small business owners, most of whom don't have in-house accountants.

As Kansas sits on record reserves, we urge the legislature and the Governor to send those 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.