

THE DAILY CALLER

The next tax reform model for the nation to come from Kansas?

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Kansas is “the story of the next decade,” moderator Patrick Gleason said at the Americans for Tax Reform Brunch event on February 22.

Gleason is the director of state affairs for the Americans for Tax Reform and “State of the States” columnist for Forbes.

Sam Brownback, the Republican governor of Kansas, is considered a leader of “one of the most impressive tax reforms of any state in recent years,” according to the Cato Institute. Cato recently completed a study grading governors on fiscal policy and gave Brownback an A, making him only one of four governors in the entire country to receive this grade.

A previous member of the U.S. House of Representatives from ‘95-‘96 and a U.S. Senator until 2011, Brownback has imposed argumentatively one of the boldest, most significant state tax reforms seen in decades nationwide, Gleason said.

Brownback outlined in his event speech his plans to phase out income taxes in Kansas.

“The objective is to get the income tax off,” Brownback said.

Only Texas has implemented this reform of eliminating the income tax. Brownback, with the passing of SB 78, consolidated three tax income brackets into two, eliminated the tangible property tax, and reduced the income tax more than any other Kansas state tax cut has before.

Kansas previously had the second highest tax rates in the region, but now the state has adjusted income taxes from 6.45 percent to 4.8 percent, with a statutory down to 3.9 percent in 2018.

In the future, taxes will move to zero on LLC past income. With 75 percent of Kansans working for themselves or for somebody with 10 or fewer employees, Brownback said “the best environment for small business in America is in Kansas.”

According to CATO, the governor “increased the standard deduction, reduced the taxation of small business income, and repealed numerous special-interest tax breaks. The cuts are expected to save Kansas taxpayers about \$800 million a year.”

The New York Times reported that “the state’s nonpartisan legislative research department has projected that the budget will face a \$213.6 million shortfall in fiscal 2017, in large part because of the deep tax cuts that are expected to cost the state about \$3.9 billion over the next five years.”

Kansas Senate Minority Leader Anthony Hensley said Brownback will put the state “\$923 million in the hole” by 2019 and only works for Republican interests.

“My experience with Governor Brownback after having served for seven other governors is that he is the most partisan governor Kansas has ever had,” Hensley said. “And Governor Brownback basically is just depending upon the Republicans in the legislature to do his bidding.”

Hensley, a Topeka Democrat, has served in the Kansas Legislature for 37 years, the longest-serving lawmaker in Kansas history. He says the other governors worked “in a bipartisan way” to solve Kansas’ problems.

Hensley said Brownback is leading Kansas in the wrong direction.

“I would have to say that he is grossly mismanaging the budget of Kansas. I mean, for someone who boasts of being a fiscal conservative, he’s far from it because he is building up these huge deficits,” Hensley said.

Hensley also said Brownback is creating a deficit that Kansas won’t be able to work its way out of. He says the solution is to keep the income tax.

“He’s taken ownership for those tax cuts and he believes that we can somehow grow the economy and grow ourselves out of this deficit,” Hensley said. “There isn’t any way that I can see that we can do that. We can’t create enough jobs to erase a \$923 million deficit in the state general fund.”

Hensley said Brownback’s income tax cuts are only going to bankrupt the state.

He also said maintaining Kansas’ statutory requirement of 7.5 percent ending balance over the past year would result in \$1.5 billion reductions and would allow for funding of necessary programs that the current budget won’t afford.

“So it’s a self-imposed budget crisis is what it is,” Hensley said. “These tax cuts went entirely too far, and it will adversely impact the general fund so that we won’t be able to adequately fund K-12 education, our higher education system, public safety. I mean you can look at all the needs within the general fund that we have to deal with each year, and it just, it’s bankrupting the state.”

Richard Carlson, a Republican in the Kansas House of Representatives who worked closely with Brownback in the state Senate, applauds Brownback’s efforts as governor.

“I’m a strong proponent of it,” Carlson said of Brownback’s tax reform package. “It will grow the Kansas economy and jobs, and it’s already started that, even though it’s just barely in effect.”

Carlson said “the governor’s been very successful in his tax reform” where other governors nationwide have failed in a nonpartisan way.

He said the job numbers will speak on their own and that nonpartisan reports have come out for the Midwest and Kansas that show that Kansas has regained all those jobs lost during the recession.

With the 10th lowest unemployment in the nation, at 4.9 percent, Kansas fares well, along with its record tax receipts which Brownback said have never been higher than this past fiscal year.

Carlson said 49,000 jobs have been created while the governor’s been in office, covering those lost in the recession and a creating a record number of corporations, something he finds “probably unique in the nation.”

“The growth of the economy is the fact that no one is looking at in terms of the opposition to Governor Brownback’s campaign,” Carlson said. “The private sector will grow, the private sector does respond. President Reagan proved that with the most successful longest running boom in the history of the United States. I think this governor’s program will work for Kansas and there will be additional funds that will grow the economy of Kansas.”

However, Hensley stated that 16,000 fewer jobs are available today as compared to when the governor took office, and unemployment rates are higher when compared to neighboring states in the Midwest.

However, ratings in other states, like Missouri, Oklahoma, and Colorado, he says, have higher unemployment rates, with the exception of Nebraska, which had a 3.6 percent unemployment rate.

According to the Kansas Department of Labor, since January 2011, Kansas has added 38,800 jobs, and employed 13,234 individuals.

Kansas lost 77,700 jobs between May 2008 and January 2010. By December 2013, 56,700 jobs had been recovered, 73 percent of the number of jobs lost.

A 2011 Job Vacancy Survey found in the second quarter that there were 30,697 vacancies, compared to 2013 which had 37,981 vacancies, a rate moving from 2.3 percent to 2.8 percent.

The service industry added 27,300 jobs from 1,117,200 in January 2011 to 1,144,500 in December 2013.

Between 2010 and 2020, the Kansas Occupational Outlook reports that Kansas will add approximately 17,774 jobs each year.

According to Americans for Tax Reform President Grover Norquist, Brownback is “on the short list of Republicans who could decide to run for, and win, the GOP nomination in 2016.”

Carlson said Kansas will succeed and become a model for the nation from the work Brownback has done.

“I think what Governor Brownback has done with the tax laws and forward-thinking for our state of Kansas and the growth of Kansas in jobs is becoming a model states are looking at throughout the nation,” Carlson said. “I think he has done it in a very nonpartisan manner...and I think it will continue well into the future of transforming the face of Kansas into a very prosperous, growing economy with jobs for everyone.”