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House Committee on Taxation
Testimony in Opposition to SB 178
By Natalie Bright
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Chairman Johnson and honorable committee members,

Thank you for the opportunity to appear before you on SB 178 on behalf of the Kansas Nonprofit Coalition (KNC). To clarify, KNC members do not have a position on the underlying bill but are concerned with the language added to it during Senate floor debate. Specifically, KNC opposes the language requiring that for any new sales tax exemption to be enacted an existing exemption of equal or greater fiscal liability would need to be repealed or suspended, or in other words the language would implement a PAYGO rule for all new sales tax exemptions after January 1, 2020. The members of the KNC have the following concerns regarding the amended language:

- **Communities benefit greatly from the sales tax exemptions earned by nonprofit organizations.** These exemptions come in exchange for vital community services and afford nonprofits the opportunity to invest more of their resources into advancing their charitable missions entirely free from private for-profit motive, while also relieving the government of some of its burdens.
- **The PAYGO sales tax exemption outlined in these bills force unnecessary uncertainty into the nonprofit community.** Passing a PAYGO rule for sales tax exemptions to broaden the tax base is misleading and unfairly burdens entities who legitimately garnered an exemption.
- **The PAYGO proposal fails to set out notice requirements for those who may be at risk at having an exemption repealed or provide for an opportunity to defend an exemption and its merits.** Lack of procedure will cause a tremendous amount of confusion and potential harm to Kansas nonprofits and their charitable missions.
- **Nothing in this PAYGO proposal outlines the analysis process that would be used to determine the value of the exemption to be traded and fails to quantify the community benefit sales tax exemptions provide.**
- **The language proposed is divisive, potentially pitting current recipients of sales tax exemptions against future recipients, each who are or may be deserving of the exemption.**

Passing the PAYGO language set out in SB 178 is not good policymaking. KNC members urge this committee to reject the language and instead look to establish a fair and equitable review process of sales tax exemptions that engages all interested and impacted beneficiaries of existing and future exemptions. The members of the Kansas Nonprofit Coalition urge lawmakers to not advance the Senate amended language in SB 178.