



Chairman Johnson and Members of the Committee,

We appreciate this opportunity to submit written opponent testimony for HB 2727, which requires the repeal or suspension of existing sales tax exemptions when implementing any new exemption, provides a sales tax exemption for select organizations, and imposes sales tax on certain services. We hold the following position on HB 2727:

1. HB 2727 promotes the wasteful tendency of government picking winners and losers
2. HB 2727 broadens the tax base but does not lower the sales tax rate.

HB 2727 promotes the wasteful tendency of government picking winners and losers.

If a legislative body passes a law, there shouldn't be any exceptions to that law without some compelling reason. HB 2727 has no compelling reason. HB 2727 benefits select Kansas taxpayers at the expense of everyone else. The hyper-targeting of this exemption is particularly troublesome. Sales tax exemptions are designed to avoid tax pyramiding and business to business transactions. HB 2727 provides a sales tax exemption for Envision Inc. and Friends of Hospice Agency sales to consumers. HB 2727 is not good tax policy.

HB 2727 broadens the tax base but does not lower the sales tax rate.

For tax bills to be considered optimal or near-optimal tax policy, a good rule of thumb is whether it broadens the tax base and lowers the tax rate. This is because it decreases the volatility of tax revenues to the state while also keeping taxes on a personal basis at a constant level. HB 2727 not lowering Kansas's sales tax rate means Kansans will ultimately send more tax dollars to state coffers.

Kansas has the 8th highest sales tax rate in the nation. The state government also passed a record income tax increase in 2017. HB 2727, in its current form, invites consequences for the economic health of Kansans.

For these reasons, we urge the committee to reject HB 2727 in its current form.