

HB 2045 Opponent Testimony – in person
Angel investor tax credit
House Commerce Committee
Dave Trabert – President
January 13, 2021



Chairman Tarwater and Members of the Committee,

We appreciate this opportunity to testify in opposition to HB 2045, which would amend the angel investor tax credit program.

A recent Legislative Post Audit report says the program cost over \$20 million in foregone tax revenue over four years. Still, it was impossible to tell if the program had performed as designed. The audit also found no significant performance between companies receiving the credit and those that didn't.

Additionally, this program is not widely available to Kansas businesses, as tax credits are capped at \$6 million per year.

Rather than amend and attempt to 'fix' a seriously flawed program with limited availability to taxpayers, we suggest the Committee consider several other measures that would benefit all businesses without spending taxpayer money.

Convert the Commerce Department to a Concierge Service

Start-ups and small, growing companies get bogged down fighting through multiple layers of bureaucratic red tape and gaining access to private capital, and that creates an entrepreneurial opportunity for the Kansas Department of Commerce.

- Instead of handing out incentives (that studies show don't work), convert the Commerce Department to a concierge service. Businesses looking to open, expand, or move to Kansas could be assigned a concierge whose job is to coordinate with state, local, and federal agencies to expedite permitting and other regulatory matters and connect companies with funders. A concierge service would be a real competitive advantage that no other state offers.

Collaborate with business to create a Sunset Review Board for regulations

Legislators could also spur growth by eliminating regulations that don't produce a high net public benefit (public benefit less the cost to businesses and the economy).

- Create a sunset review board for all state regulations, agencies, boards, and commissions.

Other regulatory recommendations

Here is a sampling of many opportunities for the Committee to consider:

- Eliminate any regulations waived through the Covid-19 pandemic unless the Legislature determines that the waiver caused public harm.
- Recognize occupational licenses issued by other states, so people moving here can immediately get to work.
- Eliminate occupational licensing requirements that unnecessarily restrict someone's right to earn a living; this would include but not be limited to the collaborative practice agreements for advanced practice registered nurses and eyebrow threaders.
- Eliminate unnecessary or duplicative state and local inspections.

Other barriers to economic growth

Some economic growth barriers might not be in the Commerce Committee's purview, but they still deserve mention.

- **Eliminate wasteful spending to reduce sales and income tax burdens.** In 2018, Kansas spent 40% more per-resident than the states without an income tax. Kansas has the eighth-highest state and local sales tax, the 15th-highest effective property tax rate on residential property, the worst effective property tax rate on rural commercial property, and the 11th-highest on urban commercial property. Many other states have lower income tax rates.
- **Pass Truth in Taxation property tax transparency,** which has reduced effective property tax rates in Utah.
- **Pass money-follow-the-child laws** for kids below grade level, at-risk students, and all kids in schools that don't offer full-time in-person learning. Even in Johnson County, 30% of 10th-graders are below grade level in Math, and only 37% are on track for college and career. Many school districts have more 10th-graders below grade level than are on track for college and career; in addition to this having a devastating impact on those students' well-being, it's also a severe workforce development issue.

Conclusion

Kansas is in its fifth straight decade of economic stagnation, and the gaps between Kansas and the nation are getting worse. Reworking the angel investor tax credit is an example of doing the same things over and over again but expecting a different result.

We prefer that the Committee eliminate the angel investor tax credit program and implement other initiatives, such as suggested above.

Thank you for your consideration.