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CAPITOL GAINS 2017



 **THE KANSAS
CHAMBER**
UNITED FOR BUSINESS



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The 2017 Kansas legislative session wrapped up in early June after 114 days, tying for the longest session in state history. After the 2016 elections eliminated the pro-business majorities in both the House and Senate, the familiar saying that “elections have consequences” proved true during this year’s session. The Kansas Chamber found itself on defense much of the time, working to protect the many historic victories achieved for the Kansas business community in recent years.

Government spending has continued to outpace tax collections in the state, causing a projected budget deficit of approximately \$900 million for 2018 and 2019. Rather than balancing the budget by finding efficiencies throughout government and cutting wasteful spending, the legislature instead decided to fix the problem on the backs of small businesses and individual taxpayers by passing a RETROACTIVE \$1.2 billion tax increase.

The Chamber government affairs team had boots on the ground day after day in an attempt to advocate for policies which align with our mission of creating an economic climate that benefits every business and citizen and safeguards our system of free, competitive enterprise. The Chamber team worked to protect your business from efforts to repeal the 2012 small business tax cuts, as well as other important victories in areas such as workers compensation, unemployment insurance and job-killing mandates.

It’s unfortunate that the 2017 legislature felt so strongly that the 2012 tax cuts were bad for the state. Those tax cuts allowed taxpayers to spend \$750 million more into the state’s economy annually, rather than through government. While it is disappointing much of what was gained in terms of a low-tax climate has been erased, that gives us, the business community, the chance to decide what our state should look like 20 years from now. Legislators come and go, but the Chamber will remain. It is up to us to decide whether Kansas will continue with the status quo, or will we challenge and ask ‘why?’

As we look to the future, take comfort in knowing your business is represented every day in Topeka by the Chamber team. During the 2017 session, Chamber staff monitored more than 200 bills and testified more than 60 times on legislative proposals including taxes, HR, legal reform, energy, education, and health care.

This 2017 Capitol Gains publication recaps the session, highlighting the number of anti-business bills the Chamber worked to defeat. Our legislative success shows very clearly your return on investment as a Kansas Chamber member through direct savings to the bottom line of your business. We thank you for your investment. Together, we are United for Business!



Alan Cobb
President and CEO

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Kansas Chamber



Taxation

★ Reducing the tax burden

OUR POSITION Lower taxes allow businesses the crucial financial strength to grow, develop products, invest in employees and increase profits. A strong business climate creates a strong economy.

THE CHALLENGE Coming off of the 2016 elections where the pro-business majorities in the House and Senate lost ground, new legislators felt the only way to balance the budget was through raising taxes on Kansans (the fourth tax increase in seven years). Kansas no longer has a 2-tier income tax system and the small business exemption was repealed. Retroactive to January 1 2017, taxpayers will face a 3-tier income tax system that increases rates up to 24 percent. Much of the 2017 session was spent on the defensive side, fighting against anti-taxpayer legislation.

CHAMBER ENGAGEMENT

The 114 day session finally came to an end in June, concluding with a \$1.2 billion tax increase in the next two

OUR VICTORIES

- Passage of HB 2212 increases the thresholds for retailers to submit sales taxes to the state department of revenue. The Chamber introduced the bill to help relieve small businesses from burdensome reporting requirements because of outdated thresholds that hadn't been increased since the mid-80's.

HB 2212 increases the threshold amounts from:

- \$80 to \$400 for annual filing
- \$3,200 to \$4,000 for quarterly filings
- \$32,000 to \$40,000 for monthly filings.

Amounts greater than \$40,000 would be filed on a prepaid monthly basis.

years. The Chamber fought tirelessly for the business community against tax increases all session. Overall, Chamber staff testified in opposition to 17 bills which increased taxes. Additionally, Chamber members sent more than 100 action alert letters to legislators expressing opposition to tax increases.



Eric Stafford
Vice President of
Government Affairs

LOOKING TO 2018

With the 2012 tax cuts essentially repealed, the Chamber will spend this summer reviewing other state tax reform efforts. Kansas tax policy historically has been below average and the gains made in recent years are now gone. In addition to income taxes, the Chamber will fight to protect taxpayers from burdensome increases in property taxes. The Chamber also will continue to advocate to move Kansas back to an origin-based sales tax sourcing state.

- Successfully prevented passage of three different bills which weakened the public vote requirement when local units of government attempt to increase property taxes above the rate of inflation. As part of the two-year bill cycle, we anticipate efforts by local government to push these bills again in 2018.
- Opposed efforts to subject certain services to sales tax that were included in various tax proposals run in the legislature. Industries impacted included custom computer software, towing services, non-residential custodial cleaning and others.
- Protected against changes to PEAK and HPIP economic development programs that were under attack early in the session.



Human Resources

★ Reduce Costs to Promote Growth

OUR POSITION The Kansas Chamber supports policies that promote fairness, reduce employer costs and protect employer choice.

THE CHALLENGE The legislature’s shift away from the pro-business majority put pressure on protecting recent wins in the unemployment insurance, workers compensation and labor policy arenas. The Chamber was forced to play defense on these gains throughout the 2017 legislative session.

OUR VICTORIES The Chamber successfully defended against potential changes to workers compensation laws. Multiple attempts were made to grant local government the ability to mandate employee benefits on employers, but the Chamber successfully prevented passage of those bills as well.



Taylor Schettler
Director of Government Affairs



Legal Reform

★ Promote fairness, reduce liability

OUR POSITION The Kansas Chamber supports efforts to improve the legal climate in Kansas by reducing incentives to file frivolous lawsuits.

THE CHALLENGE There is a growing trend of out-of-state law firms sending demand letters to Kansas businesses, citing their websites are out of compliance and in violation of the Americans with Disabilities Act.

OUR VICTORIES Thanks to partners in the banking and real estate industries, the Kansas legislature passed protections for businesses against the unauthorized practice of law by these out of state firms seeking settlements from Kansas companies.

LOOKING TO 2018 The Chamber introduced legislation dealing with asbestos trust transparency. While this bill successfully passed the Senate 27-12, the House did not have time to take it up. The Chamber will work with the House on passing this common sense legal reform effort next year.

Historic Victories

The Kansas Chamber led efforts to pass the following pro-business legislation by drafting language, building coalitions, testifying on each bill, engaging in direct lobbying and ultimately ensuring passage.



2016

Successfully defended efforts to repeal small business tax cuts from 2012.

Strengthened public vote requirement which restricts cities and counties from adopting budgets with revenues from property tax increases which exceed inflation unless approved by a majority of voters.

Passed property tax reform which increases fairness of the property tax valuation and appeals process for taxpayers.

Extension of the Angel Investor Tax Credit Program until 2021 (program was set to expire at the end of the year) to help qualified start-ups gain access to capital investments.

Passed performance-based budgeting requirement, utilizing outcome measures to evaluate state agency program effectiveness.

2015

Protected the business tax cuts from 2012, which eliminated income taxes on non-wage income for small businesses.

Passed property tax reform prohibiting cities and counties from adopting budgets with revenues from property taxes which exceed inflation unless approved by a majority of voters during a regularly scheduled election.

Passed Unemployment Insurance reform switching Kansas from an “arrayed” system to a “fixed” system to restore fairness and tax employers according to their experience and usage of the UI trust fund.

Led efforts to craft compromise with the wind coalition for the repeal of the renewable energy mandate. Mandate replaced with voluntary goal of 20% renewable energy by 2020 and new wind projects’ property tax exemptions now limited to 10 yrs.

Supported repeal of the inequitable school finance formula in favor of additional funds through block grants, allowing maximum local control to target more funds to the classroom for better student outcomes.

2014

Passed Court of Tax Appeals reform, providing an affordable, accessible and impartial system to resolve state and local tax disputes efficiently.

Led coalition on legislation solidifying the 2006 legislative intent to exempt commercial & industrial machinery equipment from local property taxation.

Supported legislation requiring property tax protection and transparency at the local level.

Passed positive balance employer UI tax credit, lowering taxes by \$42M.



Passed legislation clarifying specific circumstances to allow employers ability to withhold wages such as for repayment of loans, uniforms, company equipment.

Repealing full consideration award under Kansas Restraint of Trade Act.

2013

Leveled the playing field for Kansas brick-and-mortar stores regarding inequities in collection of sales taxes by out-of-state, online-only retailers.

Comprehensive reform of the UI system modifying benefit structure, clarifying eligibility, strengthened integrity, restoring experience rating.

Prohibited the automatic deduction of political contributions from public union member's paychecks for political purposes, and prohibiting transfer of dues dollars into a political fund.

Passed legislation prohibiting local units of government from requiring paid leave and paid sick leave.

Repealed full consideration award under Kansas Restraint of Trade Act.

2012

Reduced individual income taxes from a top rate of 6.45% to 4.9% and the bottom rate, which everyone pays on the first \$30,000 of income, from 3.5% to 3%.

Exempted from income tax non-wage income for Subchapter S Corporations, Limited Liability Companies and Sole Proprietorships.

2011

Led coalition to overhaul work comp system for first time in nearly 20 years.

Enhanced PEAK for second straight year to allow for retention projects & in-state expansions.

Passed expensing of capital investments. Kansas only state in nation allowing this.

Established "Deal Closing Fund" for up-front cash incentives.

Successfully fought the abolishment of the High Performance Incentive Program (HPIP).

2010

Fought off lengthy list of tax increases (liquor, tobacco, income, sweetened beverage, decoupling from federal tax changes, halt in phase-outs of estate, franchise, corporate income and many others).

Enhanced PEAK to allow for additional usage and flexibility.



STRENGTH IN NUMBERS

Our 2017 legislative agenda, developed by member input, gave legislators a clear message on where the business community stands.

The Chamber excels at building coalitions with other business trade associations and local chambers to give the business community a stronger presence at the Statehouse. Our members were notified of weekly events through our Capitol Insider and Business Minute email updates, as well as frequent Twitter updates and Action Alerts to keep them engaged on developments under the dome in Topeka.

We were at the Statehouse influencing and advocating for our members so they could focus on running their businesses. Our legislative team had a constant presence and testified more than 60 times during the entire 114-day 2017 legislative session. The Chamber monitored more than 200 bills that impacted the business community, both positively and adversely.

Join Us

- Add to our numbers
- Add to your influence.
- Become involved.

Visit us at kansaschamber.org and find us on social media to learn more about the issues that face you and your business. Together, we are United For Business.



Affiliates of the Kansas Chamber of Commerce

Kansas Chamber Political Action Committee

Kansas Manufacturing Council

Kansas Retail Council

Leadership Kansas

State Affiliate of National Association of
Manufacturers (NAM)

State Affiliate of U.S. Chamber of Commerce

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