

The Good, the Bad, and the Ugly

It's been said the best solutions are when everyone walks away from the table with some of what they wanted, but not everything. This year's Legislative Session certainly left many with that very feeling. As with many sessions, few bills were "pure," which meant some contained provisions consistent with the Chamber's agenda to advance a pro-business environment and strong quality of life in our region, while also containing items we found less desirable or even contrary to our stated positions.

The Good: Angel Investor Tax Credits, an important economic development tool that had been targeted for sunset, was extended for five years to 2022. More contentious was the STAR Bond issue, which got caught up in a Wyandotte County vs. Kansas City, Mo., debate revolving around the American Royal, how districts are created and what monies should fuel the bonds. Future STAR Bond districts were briefly in limbo, but the compromise in the final bill provides checks and balances and better reporting on this critical tool. The sad part of this legislation was the ultimate demise of the Kansas Bioscience Authority, which when originated placed Kansas at the forefront of economic development attraction for bio companies.

The (Less) Bad: Last year's passage of a property tax lid as part of the final budget was yet another attack on local control disguised as "taxpayer protection" that removed the ability of your local officials to fully fund quality of life amenities, infrastructure and basic services. This session, in response to an attempt to move the effective date of the lid from 2018 to 2016, a compromise was reached between the League of Kansas Municipalities and Kansas Association of Counties (opponents of the lid) and the Kansas Association of Realtors (a primary proponent of the lid) which accelerates the date to Jan. 1, 2017, adds certain exemptions for public safety and other considerations and adds a rolling five-year CPI to the calculation of the lid. The Chamber added our support to this legislation in the "it's less bad than the alternative" category, even as we're absolutely opposed to artificial tax lids that remove control from locally elected governing bodies that report directly to the voters at home.

The Ugly: In last month's newsletter, I mentioned the possibility that legislators might look to repair of the LLC Loophole to remedy revenue shortfalls. The "loophole" was created with the passage of the 2012 income tax breaks for LLCs, sub-S corporations, partnerships and sole proprietorships. Although the legislation passed exempted all income for these businesses, many legislators have since clarified their intent was to exempt only non-wage income. This year, hearings were held regarding the loophole (two days in the House regarding full repeal to fuel buy-down of sales tax on food, and the other in the Senate that would have placed the first 70% of wage income back on the tax rolls). In the end, what came up for a vote in the House was a full repeal of the 2012 exemption of pass-through business income which would have generated \$250-300 million annually, including \$60 million which would have been realized in fiscal year 2017, which was much needed to reduce the budget deficit, which could have offset some of the cuts made by the Governor in mid-May. This failed in the House 45-74 and received no vote in the Senate. Unfortunately there was bi-partisan dislike of this proposal, with some conservatives not wanting a tax increase on their record, particularly in an election year, and moderates and Democrats holding out for full repeal. The ugly truth of this result is that few proposals are pure, containing only the provisions we want at the time we want them. We lost an opportunity to regain balance for our once-cherished three-legged stool of property tax/income tax/sales tax that appropriately provides for the business environment, quality of life and development of talent our state needs to be competitive.

Look for the Chamber's Voting Record later this summer on how your Johnson County Senators and Representatives voted on specific issues. We're already at work analyzing these as well as the issues that will appear on our 2017 Legislative Agenda. We look forward to hearing from you about what's important for your business. (And in the meantime, don't forget to vote in the August primary.)



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