

Legislative Update No. 13, June 18, 2017

Happy Father's Day to all the dads. My most important role is as a father and grandfather, and I am really enjoying time now with my grandchildren. Today I also remember my father who spent long hours as a rural mail carrier in Brewster, Kansas, after coming home from duty in the Pacific during WWII. He made sure that I always had plenty of work to get done. We owe his generation a great deal and I strive to live my life honorably for him and them.

The session is finally coming to an end. The results are as I expected. The mega-tax bill passed and became law by over-riding the Governor's veto. The K-12 Education bill passed with increased spending. The final budget bill passed last Saturday evening. The liberal Republicans joined forces with the Democrats to defeat any bills or amendments to soften the bills.

The tax bill, or as I have renamed it, the "Missouri Jobs Act," is now law. Eight counties bordering Missouri provide 35% of all retail sales tax, and 40% of all the state's income tax revenue. This fact cannot be omitted during consideration of tax policy. We are competing with Missouri along our border counties, where most of our population resides; now we are vulnerable to losing businesses and jobs.

The plan is retro-active to raise taxes beginning January 2017. And in 2018 all the rates go up again. The bill repeals the exemption for business non-wage business income (commonly called the LLC exemption), also beginning in January 2017. I have commented earlier that this exemption was responsible for business and job growth and a total repeal will have a deleterious effect on our economy in the future. The problem with the exemption was that single individuals took advantage of the situation who did not have employees. But, this could have been corrected easily without harming the benefits derived from the plan. The Department of Revenue estimates the new taxes will bring revenue of \$3,016,100,000 by year 2022. I voted against the tax bill and against the override. The following table illustrates the tax brackets moving forward.

Married Filing Jointly Tax Brackets:

	Current Law	New Tax Law	New Tax Law
Taxable Income		<u>2017</u>	<u>2018 and after</u>
\$0 – 30,000	2.7%	2.9%	3.1%
\$30,001 - \$60,000	4.6%	4.9%	5.25%
\$60,000 and above	4.6%	5.2%	5.7%

So where do we now stand with our neighboring states on married filing jointly rates and state sales tax rates? This is how I would rank the states when those two taxes are taken into consideration.

1. Colorado looks the best with a flat rate of 4.63% for income taxes and the lowest of the five states for a state sales tax rate of 2.9%.
2. Second is Oklahoma with a top income tax rate of 5% and a state sales tax rate of 4.5%.
3. Third is Missouri who is lowering their top income tax rate to 5.5% and is at 4.225% for their state sales tax rate.
4. Nebraska comes in fourth with their highest brackets of 5.01% for \$36,730+ income, 6.84% for \$59,180+ income, and a state sales tax rate of 5.5%. Give them big credit, though, for charging no sales tax on food.

5. Kansas now ranks last place with our border states starting in 2018, with \$30,001+ at 5.25%, \$60,000+ at 5.7%, and our sales tax rate the highest of all five states, a whopping 6.5%!

The education funding bill passed easily in both chambers, and has been signed into law by the Governor. As written, the law increases funding to school districts for the next two years with a cost of living (CPI index) increase each year after that. Basically, this bill returns the funding to the old formula developed in 1992. Although the formula had weaknesses that allow manipulation and it also lacks adequate oversight and accountability, it became law. I carried 10 amendments to strengthen the accountability and to place some limits on spending; all the amendments were defeated. I am against the bill.

My disappointment with the bill is that it did not adequately address the major point of the Kansas Supreme Court's opinion. The Court correctly criticized the current plan for not doing more for the 25% of our students who are failing in the system. The Department of Education reported 517,336 students enrolled last year. Twenty five percent represent 129,334 children whom the system is failing. Most of the students failing are minority and this situation has been going on for decades. For me this is a moral issue. I proposed a stronger tax credit program where anyone can give to the scholarship program so that the parents can remove their children from a school and receive scholarship money to send their child to the school of their choice. Instead of expanding the program, they weakened the program making it more difficult for families to have a choice. I also proposed early in the session an "Education Spending Account" plan to allow any family to move their child to another school, private, public, or home school and receive 70% of the funds allocated to the public school they left. The Education Spending Account monies would have been administered by the State Treasurer with many controls. The K-12 Education Budget committee refused to work that bill. Another bill Dr. Steve Abrams and I developed was a new funding mechanism that took almost 2 years to develop. I did not expect full acceptance of the bill, but some consideration would have been appreciated.

The budget bill was the last item on the agenda for this session. The final budget could not be fully developed until the tax plan was finished and the K-12 education budget was developed as well. The House passed their version of the budget on Thursday, June 8. The Senate passed their version on the same day. Individuals from both chambers conferenced to find common ground that both chambers could accept. They worked until midnight both Thursday and Friday nights. We debated the conference report Saturday evening and it passed at 7 pm that night. The liberal Republicans and Democrats are given the complete ownership of the new increases in spending and taxation.

This is not the official end of the session. Time will be given for all the paperwork to be finished and for the Governor to complete his work as well. Generally, we will wait for about 20 days and then return for what is called Sine Die. The official date for Sine Die was announced as June 26, 2017. That marks the official end of the session. It also marks the day when candidates can accept donations towards their next election cycle. For Representatives, that cycle officially begins again in 2018. For me the work of chairing the Rules and Regulations Committee will continue periodically.

It has been my honor to represent you and keep you informed with my newsletters. At my website, www.ronhighland.com, you can find a syllabus that explains in detail how to get the legislative information you need. At my website there are also copies of the weekly information on bills that passed and other detailed information in the form of "Ad Astra Reviews" published by the Speaker's office. My contact information is: Rm 561 W, State Capitol, Topeka, Kansas 66612; ron.highland@house.ks.gov. Thank you for the privilege to serve you.