



Other Viewpoints

Risks are lurking in tax proposals

Gov. Sam Brownback's proposal to shrink and maybe eliminate the state's income tax is a tantalizing proposal, but it contains some red flags.

The Legislature is advised to study it well before rushing to ease our tax burden.

For one thing, the governor is proposing to make up for income tax relief by, among other things, ending (on state returns) all itemized deductions, including the one on home mortgages, pretty much a sacred cow in this country.

What will voters think when they hear that?

And the governor wants to keep the extra cent tacked onto the sales tax two years ago, leaving the state's average rate (including city and county levies) at 7.66 percent, about average for this part of the country but nearly a penny more than neighboring Nebraska.

The governor says our income tax system puts Kansas at a disadvantage compared to states such as Texas and Florida, which have no personal income tax. The system is driving people out of Kansas, he says, providing figures to back that up.

His proposal calls for making the income tax structure "fairer, flatter and simpler" by going from three rates to two, 3 percent for people making under \$15,000 a year and 4.9 percent (down from 6.25 percent or 6.45 percent) for everyone else. That would make Kansas more competitive with nearby states, the governor says.

The plan would help small businesses by eliminating the income tax on non-wage income of limited liability and Subchapter S corporations and sole proprietorships. Low-income Kansans would benefit from doubling the standard deduction from \$4,500 to \$9,000.

Corporate rates would be unchanged, and the state would keep the sales tax rate at 6.3 percent, the level it reached with an "emergency" increase under former Gov. Mark Parkinson.

There will be a lot of questions about the sales tax. Many believe it's the hardest tax for low-income people to pay, but the governor's office says it has the least negative impact on economic growth. Many businesses, including farmers and manufacturers, do not pay sales tax on equipment they buy, but we all pay it on food and medicines.

Tax reform has its appeal, but it's a minefield. Someone benefits from all the credits and exemptions the governor would eliminate. And every adjustment the state requires from federal income figures could make state returns a little more complicated, not easier to file.

When the money is counted, many groups will oppose any change. The Democratic party already is having a field day picking apart the proposal, but then the Democrats already have said they want more money for the state to spend.

In the more liberal Senate, the leadership has named a commission to study the state's tax system which may come up with a competing plan. Meanwhile, conservative groups have announced plans to run candidates against a list of "moderate" Republicans who run the Senate.

It should be an interesting session in Topeka as the senators and representatives try to figure all this out. — Steve Haynes

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Kids, eat from your own bowls!

"Don't eat that," I said. "Your food is over here. See?"

"You realize that you're trying to reason with a 2-year old," my husband noted with a grin.

Yes, I know. Well, Molly isn't exactly a 2-year old. She's more of a 12-year-old cat with a mind of her own.

Of course, come to think of it, using the words cat and mind in the same sentence is sort of an oxymoron to begin with. Cats don't mind. They don't even care much.

The new kitchen cabinets are in and the flooring put down, so I moved the cat food back upstairs.

I had moved it to the basement about a month or so ago when I realized that the bowls would be in the workmen's way and the cats would be skittish around all the strangers coming and going in the kitchen.

The cats did not like the new arrangement one little bit. They had been having their breakfast and supper in the kitchen ever since I took the all-day buffet away and exchanged their single serving bowl for four separate yellow plastic bowls on the kitchen floor about six months ago.

After Molly developed diabetes and required a shot every day, the vet told us to only feed



Cynthia Haynes

• Open Season

the cats once a day. That way we'd always be sure to have Molly on hand when it was time for her shot.

We later decided to start Molly on some special diabetic food, so her bowl has her name on it in big black letters.

Unfortunately, neither she nor any of the other three cats can read.

And if they could read, they probably wouldn't care. After all, they're cats.

We also went to two shots a day and twice-a-day feedings.

It's great on work days. I don't have to set an alarm; the cats come get me if I'm late. Not so great on Saturdays.

Anyway, each morning and evening between 6:30 and 8, I put food in the four bowls. Molly's goes near the 'fridge. She knows that's her bowl and growls at any other cat that tries to eat out of it when she's around.

April Alice and Frank, also known as the sand cats, due to their light tan coloring, have bowls along the bottom of the breakfast bar and Jezebel has hers over by the sink, since she's afraid of all the other cats and they tend to beat up on her or not let her eat.

Each morning, the routine is the same. I lay out the bowls and give Molly her shot as she and the sand cats chow down. Then Molly traps Jez under Steve's roll-top desk. I throw Molly outside and Jez has her breakfast.

I let Molly back in and she tries to eat out of one of the other bowls. I yell at her, pick her up and put her in front of her bowl. She growls and grumbles and eats out of it for a few bites, then wanders off.

Ten minutes later, she's back and we go through the "move the cat, grumble and eat" routine.

This is repeated each night.

Steve just laughs. He knows you can't reason with a 2-year old, and he knows I'm going to keep trying.

Cynthia Haynes, co-owner and chief financial officer of NorWest Newspapers, writes this column weekly. Her pets include cats, toads and a praying mantis. Contact her at c.haynes@nwkansas.com

Legislature program outlined

Last Monday, the 2012 legislative session officially began. Last year at this time, I was sworn in and finding my way around. The state was in a difficult financial situation, with a deficit of \$550 million.

This year I am happy to report that with conservative budgeting, Gov. Brownback along with the Legislature shrank the state government, cut spending by \$880 million (first time since 1972) and without raising taxes turned a \$550 million deficit into a surplus of over \$100 million to start 2012.

Budget

Last Wednesday, Gov. Brownback gave his annual State of the State address. The governor laid out an aggressive agenda for the legislature, including a budget for the fiscal year beginning July 1. The proposed budget has an ending balance of \$465 million and meets the 7.5 percent ending balance requirement for the first time in several years.

Taxes Reform

Gov. Brownback asked the legislature to consider his tax proposal to lower individual income tax rates from 6.45 percent to 4.9 percent for the higher bracket and lower the bottom tax bracket to 3 percent from 3.5 percent. For those earning \$15,000 or less their tax rate would fall to 3 percent. For those earning over \$15,000 the tax rate would fall to 4.9 percent.

A key part of this proposal would be the elimination of itemized deductions, certain tax credits and individual income taxes on non-wage business income. Low-income will see increased benefits through the doubling of the standard deduction for heads of households.

Presently, Kansas has the second highest tax rate in the region with data showing we are losing workers to states with lower tax rates.

School Finance Formula Reform

Last year, Gov. Brownback indicated overhauling the state education finance formula would be one of his primary policy proposals. He introduced a plan that aims to keep education dollars in the classroom, providing greater



Rick Billinger

• This week in Topeka

flexibility and greater control to the local Kansas school districts.

The plan is designed to provide stable, predictable and fair funding to all Kansas school districts. This is achieved through:

- Providing the statutory \$4,492 base state aid per pupil.
- Offsetting local property tax inequity through the Property Tax Equalization Fund.
- Further equalizing district budgets through Supplemental Equalization to ensure that each district has stable funding year after year.

- Allowing for unlimited local control of property taxes for education.
- Under the proposal, the new finance formula would take effect in FY 2014 and sunset after four years.

- No district would receive less under the proposal; about half would receive more.
- The proposed formula would include an additional \$45.1 million in fiscal year 2014.
- One of my concerns is making sure financing does not fall on local taxes in years three and four.

Funding the Kansas Public Employee Retirement System

One of the more critical issues we face this session is addressing our chronically underfunded Kansas Public Employee Retirement System. The economy hit pension programs nationwide hard in recent years and this has compounded the structural deficiencies within our own system. Unless substantive reform measures in Kansas are taken to improve the stability of the pension fund, the issues will only worsen.

Mallard Fillmore

• Bruce Tinsley

