

"THE PECK PERSPECTIVE"

(From the Capitol)

February 2, 2022

Tax Collections – When the January tax collections were published, they revealed that revenue continues to exceed estimates. January's tax revenue was \$119.6 million, more than projected. Corporate income tax was, percentage wise, the most above estimates, by \$13.6 million (75.8%). Income and sales taxes beat estimates by \$82 million (18%) and \$18 million (7.6%) respectively. On the flip side, cigarette taxes were below estimates by \$1.9 million (22.6%), as was financial institutions by \$1.1 million or 64%. Others not meeting expectations were liquor, oil severance and motor carrier.

The higher-than-expected revenue solidifies the fact that Kansas taxes are too high and it is past time to permanently reduce taxes on families and businesses. The Senate tax committee is looking at several options (property, income and sales) to determine what cuts would best serve Kansans

Redistricting – After 14 in-person tours across Kansas and numerous virtual tours hosted by the legislature in 2021, the redistricting committee had received significant input from every corner of the state to assist in the redistricting process. Before the 2022 session concludes, the legislature must pass new maps/districts for Congress, the State Senate, the State House and the State Board of Education. Passing maps is like any other legislation, there must be at least 21 votes in the Senate, 63 in the House and the Governor's approval – or, if the Governor vetoes the bill, a veto override.

Using the input received from the public and looking at population shifts, the legislature passed the first redistricting map – SB 355, referred to as "Ad Astra 2". Ad Astra 2 is a map to redraw Kansas' four congressional districts. The Senate passed SB 355 by a vote of 26–9, followed by the House 79–37.

The ideal size for each congressional district in Kansas is 734,470. In Ad Astra 2, all four districts have a population of 734,470, therefore it has zero deviation in population for each district. On balance, this map will serve the state well for the next decade.

No matter what map is passed, there will always be those who disagree with the boundaries. My first responsibility as a legislator is to Senate District 15. I felt Ad Astra 2 was good for SEK, so I voted yes.

See all maps at: <http://www.kslegresearch.org/KLRD-web/Redistricting-2022-Plans.html>

Economic Incentive – Since January 18th, the Governor, through the Kansas Department of Commerce, has been pushing lawmakers to fast-track legislation creating the state's largest business tax incentive (some say giveaway) program ever. The legislation, contained in SB 347, and named *Attracting Powerful Economic Expansion* (APEX), is, according to government officials, designed to attract a \$4 billion factory to locate in Kansas. However, the company name, proposed location and other details about the project are scarce – being kept secret. What we have been told is the state is a finalist in what is being called a mega project. We're told the mystery business will produce 4,000 jobs paying an average (meaning some will be less) of \$50,000 per year as well as temporary construction employment for 6,000.

As introduced, APEX would establish never-before-used incentives in Kansas by offering companies refundable income tax credits. That means the mega company could not only get its income tax liability down to zero, but the state could end up writing annual checks for millions of dollars – money taken from other taxpayers. Taxpayers should be especially wary of refundable tax credits. The legislation also gives a qualifying company up to 15% of their income tax liability, a 10% reimbursement on payroll costs, a 100% exemption on sales tax for construction and a 50% property tax incentive.

Additionally, SB 347 would reimburse the company for 50% of employee training costs – up to \$5 million per year. While exact numbers are unclear, using figures provided by the state, passage of the APEX bill could qualify the mystery company for up to \$800 million in income and payroll tax benefits.

During the committee hearing, we were told Kansas has missed out on 11 such major economic development projects over the past five years. If that is true, it begs the question: "Why this proposal during the last year of Gov. Kelly's first term rather than soon after missing out an earlier 'mega project'?"

SB 347 makes similar subsidies available to up to five qualifying suppliers that are worth as much as \$176 million in reimbursable costs and \$64 million in property and sales tax exemptions.

Although the Senate added a corporate tax reduction for all businesses, a sunset of February 2023 and removed the refundable tax credits – providing protections for taxpayers – I prefer the state focus on creating a better business climate for our current businesses in Kansas, not an out-of-state mega-project. And, asking lawmakers to rush passage of legislation provides real opportunities for unintended consequences. Therefore, I voted no.

Until next time, may the blessings of God be yours.

Virgil Peck
State Senator