

State Representative

Don Hineman

Don's Legislative Update

March 20, 2016

Hearings on Tax Reform

This past week the House Tax Committee on which I serve held two days of hearings on a proposal to reinstate income tax on those 330,000 business entities which were exempted from taxation as part of the income tax cut enacted in 2012. The proposal would once again tax business "pass-through" income from partnerships, LLCs, farming operations and sole proprietorships. Total revenue gained for the state would be \$210 million per year.

It was an incredible experience to listen to businessmen from across Kansas address the committee. One by one they urged the committee to restore the tax on business. Essentially they were saying "This is not working and it is not fair. Please restore the tax so that I can pay my fair share." It is certainly an unusual occurrence for people to travel to Topeka and beg to be taxed. It is a manifestation of the very difficult fiscal circumstances the state has descended into, and fear about what the future might hold if we do not adjust our course.

The bill would use that new revenue to reduce sales tax on food in Kansas. That is a worthy goal, as many states do not tax grocery sales, and Kansas' rate is at the top of the pack among those who do. At some point we must address that issue. But it cannot be now. If the new revenue were used that way we would be ignoring the structural imbalance that presently exists between state revenues and expenditures. Expenditures are higher than revenues, and budgets have been cut as we all wait for the economic stimulus promised by the tax cut. As I have noted before, there is ample evidence, both in real world experience and in economic theory that the original plan was flawed and the promised explosion of economic activity will not come. So now revenues continue to lag, producing a gap between expenditures and revenues of roughly \$400 million a year. That must be our top tax reform priority.

The problem that is largely ignored is that much of the revenue reduction from the 2012 tax cut was due to personal income tax rates being sliced too aggressively. Exempting business from taxation is the part of the plan that gets the most attention but in reality we lost more revenue to the rate cuts than to the business exemption. Both excesses of the 2012 tax cut must be addressed if we are to restore stability to the state's fiscal situation and equity to state tax policy.

[Back to Top>](#)



In This Issue:

Hearings on Tax Reform

Horse and Dog Racing Back in Kansas?

Subscribe or Forward

**Cowboy Logic
Quote of the Week
Sermon in a Sentence**

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800-922-5330

Child & Family Services
888-369-4777

Horse and Dog Racing Back in Kansas?

There is a long history of horse and dog racing in the state of Kansas. I have fond memories from my youth of watching the horse races during the Dan Freeman Memorial Horse Race at the Lane County Fairgrounds. And my wife's grandfather was the owner and breeder of one of the first dogs (Lucky Pilot) inducted into the Greyhound Racing Hall of Fame in Abilene, a dog he raced in Florida during his retirement.

Unfortunately the horse and dog tracks in Kansas have been closed for several years now, as the public's preference for gaming entertainment options has changed with the times. The tracks can no longer make a profit with horse and dog races alone, so there has been interest in allowing the tracks to also offer slot machine gambling, in order to appeal to a broader audience and regain economic viability. This sort of facility, termed "racino" is common in other states. That option was part of the original legislation in 2006 which authorized creation and operation of state-owned casinos. However the owners of the tracks have never implemented the racino option, arguing that the state's "take" from the slots was too high.

Recently the tracks have become the property of billionaire Phil Ruffin, a native Kansan who owns casino properties in Las Vegas. He has mounted a strong legislative push for passage of legislation which would greatly reduce the state's share of slots revenue at the tracks as part of his bid to reopen them. But there is a huge problem with that proposal. The three state-owned casinos in Mulvane, Kansas City and Dodge City are operated by private firms which paid privilege fees of \$5 million in Dodge City and \$25 million at the other two as part of their original contracts with the state. Under the terms of their contracts they would be owed refunds of those fees plus interest should the state ever violate the terms of those contracts. The total is estimated to be in the range of \$100 million. They might also be able to sue for additional damages if they could demonstrate that the racinos had led to reduced profits for them. Note that the state of Kansas is in effect a partner with these operators in the state-owned casinos, and if their profitability is degraded that would also negatively affect state finances. That is a very likely prospect as the Woodlands Racetrack is only five miles down the road from the state's Hollywood Casino in western Wyandotte County.

I, like many other Kansans, would like to see racing return to Kansas. It would provide an attractive entertainment option to thousands, and would enhance the profitability of horse and dog breeders throughout the state. Unfortunately, given the circumstances surrounding the issue, I can see no way that can happen, unless Mr. Ruffin is someday ready to accept the terms of the 2006 legislation and share slots revenue with the state as outlined in that law.

[Back to Top>](#)

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This newsletter is primarily intended for the residents of the 118th District (all of Wichita, Scott, Lane, Logan, Gove, Trego, and Sheridan Counties and portions of Thomas and Graham Counties). However it is available to anyone who finds it of interest. Please forward to your friends, or if you are not now receiving a FREE subscription to my newsletter, [click here to sign up](#).

[Back to Top>](#)

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800-252-8477

Crime Victim Assistance
800-828-9745

Gov- Brownback
800-748-4408

Highway Road Conditions
511 (in Kansas)

Housing Hotline
800-752-4422

KanCare Assistance
866-305-5147

Kansas Lottery
800-544-9467

Legislative Hotline
800-432-3924

Mental Health Services
888-582-3759

School Safety Hotline
877-626-8203

Social Security
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Taxpayer Assistance
785-368-8222

Tax Refund Status
800-894-0318

Unclaimed Property
800-432-0386

Unemployment Insurance
800-292-6333

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785-296-1400

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Cowboy Logic

Tossing a rope before building a loop won't catch the calf.

Quote of the day

The best way to escape from a problem is to solve it" — *Alan Saporta*

Sermon in a sentence

Never assume the obvious is true.

[Back to Top>](#)

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