



Wichita Independent Business Association

THE VOICE OF INDEPENDENT BUSINESS

Kansas Senate Assessment and Taxation Committee

**Testimony in support of:
Senate Bill 50**

By:

**Pete Schrepferman, Past Chairman
Wichita Independent Business Association
Kansas Independent Business Coalition
445 N Waco, Wichita, KS 67202
Phone 316 267 8987 – Fax 316 267 8964**

Chairman Allen and Honorable Committee members:

Thank you for the opportunity to appear before you in favor of SB 50, which proposes to repeal the Kansas franchise tax. My name is Pete Schrepferman and I am the past chairman of WIBA/KIBC. I am the owner of Johnstone Supply, an air conditioning and refrigeration distributor.

For several years, the members of WIBA and KIBC have advocated for the elimination of the franchise tax because we believe it is an anti-business tax that disproportionately burdens small business. It also penalizes Kansas businesses for making investments in our state. Franchise tax is levied whether a business is profitable or not because it is assessed against a businesses net worth. Similar types of businesses, when organized differently, pay widely varying amounts. For instance, a business that needs little capital, such as a lawyer or doctor, will typically pay little franchise tax. However, businesses such as machine shops, manufacturers, distributors, require heavy capitalization and therefore pay a significant amount in franchise tax. Some have made the analysis that the franchise tax is in essence a form of property tax on Kansas corporations.

For our small business owners, much if not all of their personal net worth is invested in their business. For instance, I started my business in 1981. We have built our equity to slightly under \$900,000, which resulted in a franchise tax for 2006 of \$1,084; in addition to our corporate income taxes and personal income taxes. Thus, the franchise tax is in essences a tax on my life savings. To illustrate how much this tax is slanted against small businesses, compare our payment with a large corporation whose equity is hundreds of times greater than ours yet their franchise tax is capped at \$20,000.

Great strides have been made over the past few years with the phasing out of the business machinery and equipment tax and the Kansas estate tax. The members of WIBA/KIBC are pleased that the Kansas Legislature is looking at eliminating this tax and getting serious about removing another impediment to economic development in Kansas. Kansas is in the minority as a state that employs a franchise tax. We urge you to support the passage of SB 50. Thank you for considering our position.