RE: KANSAS’S FAILED TAX EXPERIMENT OFFERS LESSONS FOR THE NATION

Much has been written of the recent about-face that Kansas’s legislature made when it comes to taxes.

When trickle-down hardliner Governor Sam Brownback drastically reduced his state’s income and business tax rates, he promised economic growth. Instead, the tax cuts led to ballooning budget shortfalls, cuts to Medicaid, infrastructure and other vital services, and contributed to a full-blown public education funding crisis.

All the while, Kansas lagged behind its neighboring states and the nation as a whole in economic growth.

As a result of these incontestable failures, even the deep-red legislature in Kansas finally had enough, and in a stunning move this month, raised taxes substantially against Brownback’s wishes.

Why does Kansas’s tax policy matter for those of us living in the rest of the country?

Because President Trump and Republicans in Congress are proposing similar sweeping tax cuts that will lead to similar draconian cuts in public services seen in Kansas.

Instead of pursuing the same, failed ideologically-driven tax-cut polices, Trump and the GOP should learn the following lessons from Governor Brownback’s disastrous experiment:

- Tax cuts do not automatically create economic growth.
- Deep income tax cuts lead to steep revenue losses and inevitably to large budget cuts harming schools, health care, and other public services and institutions.
- Tax cuts at the top do not benefit those at the bottom.

As The Washington Post’s Ana Swanson and Max Ehrenfreud report, Kansas’s failed tax experiment caused real and lasting damage to workers, families, and children:

"Rural Kansas school systems, which were already burdened with high poverty and mental health issues, saw their budgets fall and class sizes balloon.

"In Coffeyville, a small town 70 miles south down a pot-holed two-lane highway from Iola, the superintendent of the school system pointed out that the cuts to the schools were themselves deeply damaging to the local economy.

"One of the town’s biggest employers, the school district has seen its budget fall from roughly $13 million to $11.5 million in the last nine years. “That’s a lot of jobs being lost in the community,” superintendent Craig Correll said.

[...]

"Holly Jerome, a director at the Southeast Kansas Mental Health Center, spoke about a patient who lost a leg to diabetes and a disabled drug addict who couldn’t go back to work because his insurance wouldn’t cover a nonaddictive pain medication. Angela Henry, project director of the community organization Safe Base, told of a 13-year-old girl who lost part of her jaw when her
parents couldn’t pay to finish a dental operation, and the packing pellets a dentist put in her tooth rotted.”

Yet, President Trump, House Speaker Paul Ryan, and Senate Majority Leader Mitch McConnell are prepared to bring this failed experiment to the rest of the nation.

See ATF’s below chart examining the similarities between Brownback’s, Trump’s, and Ryan’s tax plans.

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<th><strong>Kansas’ Failed Tax-Cut Experiment</strong></th>
<th><strong>Is Model for Trump and House GOP Tax Plans</strong></th>
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<td><strong>The Kansas legislature recently voted to reverse the disastrous tax cuts put into place by Governor Sam Brownback starting in 2012. They were heavily tilted toward the rich and led to slower economic growth, a downgrade of the state’s credit rating, and severe budget shortfalls. Spending for schools, highways, and other public services plummeted. Yet the tax plans put forth by Donald Trump during his campaign (and more recently as president) and in the House GOP tax blueprint from 2016 echo Brownback’s plan. Independent analyses estimate both federal plans will lose trillions in revenue over the next decade, putting at risk the nation’s ability to fund critical investments in jobs, infrastructure, education and services that help working families—to which the Trump budget proposes unprecedented cuts.</strong></td>
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<tr>
<td><strong>Kansas</strong></td>
<td><strong>Trump</strong></td>
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<td><strong>Individual Income Tax Cuts</strong></td>
<td>Cut the top income tax rate on individuals from 6.45% to 4.6%—a 29% cut.</td>
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<td><strong>“Pass-Through” Business Tax Break</strong></td>
<td>Completely eliminated taxes on “pass-through” business income (income from sole proprietorships, partnerships, LLCs and S corporations) that is taxed at individual rates.</td>
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<td><strong>Revenue Effects</strong></td>
<td>Revenues plummeted by $700 million in the first year and never recovered, forcing major cuts to vital public services. The pass-through income exemption alone cost the state $472 million in 2014—or 0.3% of the state’s GDP.</td>
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<td><strong>Fairness</strong></td>
<td>Top 1% of Kansans have gotten 31% of the tax cuts—an average cut of about $25,000 each. The lowest 20% saw their personal income taxes increase by nearly $100.</td>
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Sources for Chart:
Institute on Taxation and Economic Policy, Testimony to Kansas Senate Assessment and Taxation Committee, Feb. 14, 2017.

For all these reasons, we urge you to inform your readers about the dangers that Kansas-style tax cuts pose to the nation.

Further reading:
Washington Post: Kansas recognizes reality: Draconian tax cuts left the state’s budget in tatters
New York Times: Kansas Rises Up Against the Trickle-Down Con Job
Washington Post: Trickle-down economics is a nightmare. Kansas proved it
New York Times: Finally, Something Isn't the Matter With Kansas
Washington Post: These are the people who suffered when Kansas’s conservative experiment failed
Topeka Capital-Journal: Kansas’ economic outlook shifting with reversal of Brownback tax policy
Brookings Institute: What the Kansas tax cut about-face means
Center on Budget and Policy Priorities: Lessons for Other States from Kansas’ Massive Tax Cuts
Center on Budget and Policy Priorities: Kansas’ Tax Cut Experience Refutes Economic Growth Predictions of Trump Tax Advisors
Institute on Taxation and Economic Policy: How to Recover from A Failed Tax Experiment: Part 1

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