



January 31, 2017

To: Senate Committee on Financial Institutions and Insurance

From: Kathleen A. Taylor, Kansas Bankers Association

Re: **SB 67: Historic Tax Credits as an Eligible Activity**

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to appear before you today on behalf of the Kansas Bankers Association (KBA). KBA's membership includes 99% (250 of 252) of the commercially chartered banks headquartered in Kansas. Our membership also includes 19 out-of-state commercial banks and 6 savings and loans operating in Kansas. Our member banks employ more than 13,000 Kansans that provide financial services in more than 400 towns and cities across the state.

The KBA stands in support of **SB 67**, which would amend K.S.A. 2016 Supp. 9-1101, to allow Kansas state-chartered banks to purchase tax credits related to the historic rehabilitation of buildings as provided in K.S.A. 79-32,211. As you can see on Page seven, line 29-34, there is a limitation on the amount of tax credits that a state-chartered bank could hold – that being no more than 25% of capital stock, surplus, undivided profits, 100% of the allowance for loan and lease loss, capital notes and debentures and reserve for contingencies of such bank.

The Kansas Bankers Association (KBA) is asking for this provision to be added to law as we have become aware that while the Kansas tax code allows this historic tax credit to be used against the privilege tax liability imposed upon any national banking association, state bank, trust company or savings and loan association, the Kansas banking code did not recognize it as a permissible activity.

K.S.A. 9-1101 is the statute commonly referred to as the "powers" statute. This is the statute where state-chartered banks are granted their "powers", or where permissible activities are listed. While the list is quite long, missing from the list is the authority to purchase these tax credits. Adding this new Section (a)(36) will bring the banking code into sync with the tax code.

It is important to note that while state-chartered banks have not been able to participate in the purchase of historic tax credits in Kansas, other entities that pay the "privilege tax", i.e., the income tax for financial institutions in Kansas, have done so. Banks and savings and loan associations with federal charters have both been able to include the purchase of historic tax credits in their tools for tax liability management. This bill will not only bring the banking and tax codes into sync, but it will bring parity to all financial institutions which pay the state's privilege tax.

In conclusion, the KBA would respectfully request that the Committee favorably consider passage of **SB 67** to allow state-chartered banks in Kansas the same opportunity to purchase historic tax credits as other financial institutions in Kansas.