



January 29, 2019

To: Senate Select Committee on Federal Tax Code Implementation

From: Alex Orel, Senior Vice President – Government Relations, Kansas Bankers Association

Re: Proponent Testimony on SB 22: Deductibility of FDIC Insurance Premium Costs

Madam Chair and Members of the Committee:

Thank you for the opportunity to appear before you today on SB 22. The Kansas Bankers Association (KBA), which was founded in 1887, is a voluntary, non-profit trade organization that provides services to Kansas bankers ranging from legislative advocacy to educational training to insurance services to legal and regulatory support. KBA's membership includes 98% of the commercially chartered banks headquartered in Kansas. Our membership also includes 19 out-of-state commercial banks and 7 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 Kansas.

We are supportive of the overall bill but will talk today specifically about Sec. 3. As many of you will recall from the 2018 legislative session, part of the federal government's "pay for" in obtaining federal tax reform was to limit, and in some cases eliminate, the ability of certain financial institutions to deduct the cost of the Federal Deposit Insurance Corporation (FDIC) premium. Banks, savings and loan associations and savings banks all pay a premium to the FDIC to insure each depositor's accounts up to \$250,000 in the event of a failure.

We believe that where tax policy is concerned, all tax paying financial institutions should be treated the same. The inequity created by the federal tax reform was a means of raising revenue to offset other provisions that reduced the total amount of income taxes paid to the federal government. Since there was no corresponding tax reduction in Kansas, we believe Kansas should reinstate the full deductibility of this cost to all financial institutions.

When the Committee considers acting on SB 22, we would respectfully ask for favorable consideration of Sec. 3, and the overall bill. Once again, thank you for this opportunity to appear before you today. Please do not hesitate to contact me if you have questions.