



Kansas Grain and Feed Association

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Date: January 29, 2019
To: Senate Select Committee on Federal Tax Code Implementation
From: Randy E. Stookey, Senior Vice President of Government Affairs
RE: **Proponent Testimony on Senate Bill 22, partial decoupling of Kansas corporate tax code from federal code**

Chairman Wagle and members of the committee, thank you for the opportunity to provide testimony in support of Senate Bill 22. This testimony is submitted on behalf of the Kansas Grain and Feed Association (KGFA). KGFA is the state association of the grain receiving, storage, processing and shipping industry in Kansas. KGFA's membership represents over 950 business locations and 99% of the commercially licensed grain storage across the state of Kansas.

As Kansas follows rolling conformity with the federal tax code, the enactment of certain provisions of the 2017 Federal Tax Cuts and Jobs Act will cause some of our member companies to experience an increase in state taxes, as foreign-sourced income will now become taxable under the Kansas corporate tax code.

Senate Bill 22 amends the Kansas corporate tax code to ensure that Kansas taxpayers do not experience a large tax increase based on the recent federal changes. Without the changes to the Kansas code offered by this bill, some of our members will see an increase in state-level taxation on income that was never previously taxed by the state of Kansas.

Specifically, Senate Bill 22 would amend the Kansas tax code to "decouple" Kansas from the Internal Revenue Code, as follows:

- 965(a) and 965(c), regarding repatriated income,
- 951A, 250(a)(1)(B)(i), regarding global intangible low-taxed income, or "GILTI",
- IRC section 163(j), regarding interest limitation deductions,
- IRC section 118, regarding capital contributions, and
- IRC section 162(r), regarding FDIC premiums.

Each of these provisions was considered by the 2018 legislature in House Bill 2228 and was deemed necessary by the committees that reviewed the bill. These reforms are key to protecting individuals and businesses from an unintended increase in their state taxes.

As other states have moved to preclude this new taxation on individuals and corporations, so Kansas must also act to amend its tax code or we will become much less competitive for receiving and maintaining large corporate employers in our state.

Thank you for allowing us the opportunity to testify in support of Senate Bill 22. For the reasons stated above, we respectfully request that the committee pass this bill out of committee favorably.