



**Date: March 3, 2025**

**To: House Committee on Taxation  
Representative Adam Smith, Chair**

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

**Re: Proponent Testimony for HB 2318**

Mr. Chair and committee members, I am Alex Orel on behalf of the Kansas Bankers Association (KBA). It is also my pleasure to introduce Kelly VanZwoll, Vice President – Government Relations & Staff Attorney and J.W. Wells, KBA's Ag Bankers Division Coordinator & Government Relations Assistant. We look forward to being a resource for you and the committee as you consider financial service issues in the coming weeks and months. Thank you for the opportunity to submit testimony in support of HB 2318.

**Kansas Bankers Association Background Information:**

The KBA, founded in 1887, is a voluntary, non-profit trade association governed by its membership. The KBA is headquartered in Topeka, Kansas, and is led by our 24-member board of directors. The KBA staff, which President/CEO Doug Wareham leads, includes 42 professionals, including 15 attorneys licensed in 5 states, that provide services to Kansas bankers ranging from legislative advocacy to educational training to insurance services to legal and regulatory compliance support. Our mission statement is:

*"The Kansas Bankers Association strengthens and supports the Kansas banking industry by advocating for sound financial policies, promoting innovation, and fostering economic growth across the state to ensure a vibrant financial future for all Kansans."*

KBA's membership includes 98% of the headquartered banks in Kansas. Our membership also includes 20 out-of-state commercial banks operating in Kansas. Our member banks employ more than 21,000 Kansans that provide financial services in every county across the state. While our member banks range in assets from the smallest in our state to the largest in our state, each member bank that belongs to the KBA has one vote on policy positions adopted by either our general membership or our Board of Directors. One member, one vote.

## **HB 2318—Proponent Testimony**

Mr. Chairman and committee members, we strongly support HB 2318, an approach to reducing income taxes using revenue growth triggers, as outlined by other proponents. However, HB 2318, being heard today, does not include the corresponding privilege tax rate provisions contained in previous tax proposals—not because of opposition, but because we are in search of the best way to include those provisions. We respectfully request the addition of such language or a chart to HB 2318.

As this committee has discussed in the past, the privilege tax is the financial institution's income tax for banks, savings and loans, and trust companies. Kansas banks, trust companies, and savings and loans are not subject to Kansas corporate income tax because they pay the privilege tax, which serves as their income tax. The privilege tax requires these entities to pay taxes on the interest income from U.S. Treasury Agency & Securities, whereas the corporate income tax does not. The difference in the rates between the two income taxes is intended to reflect this difference in taxation.

The privilege tax is divided into two rates for banks: a normal tax rate of 1.94% for the first \$25,000 and a surtax rate of 2.125% on income over \$25,000. Combining the normal rate and the surtax rate results in a total rate of 4.06% for banks.

The privilege tax is also divided into two rates for savings and loans and trust companies: a normal tax rate of 1.93% for the first \$25,000 of income and a surtax rate of 2.25% on income over \$25,000. Combining the normal rate and the surtax rate results in a total rate of 4.18% for savings and loans and trust companies. Savings and loans and trust companies pay slightly more than banks because they are allowed a 5% deduction from net income on a reserve account established for the sole purpose of meeting or absorbing losses.

As in previous proposals, we request a corresponding rate reduction equal to the total percentage reduction applied to Kansas corporate income taxpayers. Consistent with previous proposals, the reduction to the total rate would establish a new normal rate (for the first \$25,000 of income) for banks, savings and loans, and trust companies. (Chart attached)

States like North Carolina, Arizona, and West Virginia have successfully used this model to lower tax rates while maintaining stable budgets. Kansas has seen receipts grow from \$6.4 billion in 2012 to over \$10 billion in 2024, demonstrating our capacity to act. HB 2318 ties tax cuts to excess revenue above a \$10 billion baseline, adjusted for inflation, ensuring fiscal responsibility. It's a path to a competitive income tax rate, making Kansas more attractive for businesses and residents. HB 2318 offers a balanced way to cut taxes in good years without risking stability in tough times.

Thank you for the opportunity to submit proponent testimony and we appreciate your consideration. We respectfully request that when the Committee takes action on HB 2318 it acts favorably with the inclusion of an amendment addressing the privilege tax. If you have questions or require additional information, please contact me at [aorel@ksbankers.com](mailto:aorel@ksbankers.com) or (785) 232-3444.

### Priv. Tax (PT) vs. Corp. Income (CI) Rate

CI	Total Rate		Normal Rate (First \$25k Income)		CI	Total Rate		Normal Rate (First \$25k Income)	
	Banks	Trust/S&L	Banks	Trust/S&Ls		Banks	Trust/S&L	Banks	Trust/S&Ls
6.50%	4.062%	4.179%	1.94%	1.93%	6.07%	3.794%	3.902%	1.67%	1.65%
6.49%	4.056%	4.172%	1.93%	1.92%	6.06%	3.787%	3.896%	1.66%	1.65%
6.48%	4.050%	4.166%	1.92%	1.92%	6.05%	3.781%	3.889%	1.66%	1.64%
6.47%	4.044%	4.159%	1.92%	1.91%	6.04%	3.775%	3.883%	1.65%	1.63%
6.46%	4.037%	4.153%	1.91%	1.90%	6.03%	3.769%	3.876%	1.64%	1.63%
6.45%	4.031%	4.146%	1.91%	1.90%	6.02%	3.762%	3.870%	1.64%	1.62%
6.44%	4.025%	4.140%	1.90%	1.89%	6.01%	3.756%	3.864%	1.63%	1.61%
6.43%	4.019%	4.134%	1.89%	1.88%	6.00%	3.750%	3.857%	1.62%	1.61%
6.42%	4.012%	4.127%	1.89%	1.88%	5.99%	3.744%	3.851%	1.62%	1.60%
6.41%	4.006%	4.121%	1.88%	1.87%	5.98%	3.737%	3.844%	1.61%	1.59%
6.40%	4.000%	4.114%	1.87%	1.86%	5.97%	3.731%	3.838%	1.61%	1.59%
6.39%	3.994%	4.108%	1.87%	1.86%	5.96%	3.725%	3.831%	1.60%	1.58%
6.38%	3.987%	4.101%	1.86%	1.85%	5.95%	3.719%	3.825%	1.59%	1.57%
6.37%	3.981%	4.095%	1.86%	1.84%	5.94%	3.712%	3.819%	1.59%	1.57%
6.36%	3.975%	4.089%	1.85%	1.84%	5.93%	3.706%	3.812%	1.58%	1.56%
6.35%	3.969%	4.082%	1.84%	1.83%	5.92%	3.700%	3.806%	1.57%	1.56%
6.34%	3.962%	4.076%	1.84%	1.83%	5.91%	3.694%	3.799%	1.57%	1.55%
6.33%	3.956%	4.069%	1.83%	1.82%	5.90%	3.687%	3.793%	1.56%	1.54%
6.32%	3.950%	4.063%	1.82%	1.81%	5.89%	3.681%	3.786%	1.56%	1.54%
6.31%	3.944%	4.056%	1.82%	1.81%	5.88%	3.675%	3.780%	1.55%	1.53%
6.30%	3.937%	4.050%	1.81%	1.80%	5.87%	3.669%	3.774%	1.54%	1.52%
6.29%	3.931%	4.044%	1.81%	1.79%	5.86%	3.662%	3.767%	1.54%	1.52%
6.28%	3.925%	4.037%	1.80%	1.79%	5.85%	3.656%	3.761%	1.53%	1.51%
6.27%	3.919%	4.031%	1.79%	1.78%	5.84%	3.650%	3.754%	1.52%	1.50%
6.26%	3.912%	4.024%	1.79%	1.77%	5.83%	3.644%	3.748%	1.52%	1.50%
6.25%	3.906%	4.018%	1.78%	1.77%	5.82%	3.637%	3.741%	1.51%	1.49%
6.24%	3.900%	4.011%	1.77%	1.76%	5.81%	3.631%	3.735%	1.51%	1.48%
6.23%	3.894%	4.005%	1.77%	1.75%	5.80%	3.625%	3.729%	1.50%	1.48%
6.22%	3.887%	3.999%	1.76%	1.75%	5.79%	3.619%	3.722%	1.49%	1.47%
6.21%	3.881%	3.992%	1.76%	1.74%	5.78%	3.612%	3.716%	1.49%	1.47%
6.20%	3.875%	3.986%	1.75%	1.74%	5.77%	3.606%	3.709%	1.48%	1.46%
6.19%	3.869%	3.979%	1.74%	1.73%	5.76%	3.600%	3.703%	1.47%	1.45%
6.18%	3.862%	3.973%	1.74%	1.72%	5.75%	3.594%	3.696%	1.47%	1.45%
6.17%	3.856%	3.966%	1.73%	1.72%	5.74%	3.587%	3.690%	1.46%	1.44%
6.16%	3.850%	3.960%	1.72%	1.71%	5.73%	3.581%	3.684%	1.46%	1.43%
6.15%	3.844%	3.954%	1.72%	1.70%	5.72%	3.575%	3.677%	1.45%	1.43%
6.14%	3.837%	3.947%	1.71%	1.70%	5.71%	3.569%	3.671%	1.44%	1.42%
6.13%	3.831%	3.941%	1.71%	1.69%	5.70%	3.562%	3.664%	1.44%	1.41%
6.12%	3.825%	3.934%	1.70%	1.68%	5.69%	3.556%	3.658%	1.43%	1.41%
6.11%	3.819%	3.928%	1.69%	1.68%	5.68%	3.550%	3.651%	1.42%	1.40%
6.10%	3.812%	3.921%	1.69%	1.67%	5.67%	3.544%	3.645%	1.42%	1.39%
6.09%	3.806%	3.915%	1.68%	1.66%	5.66%	3.537%	3.639%	1.41%	1.39%
6.08%	3.800%	3.909%	1.67%	1.66%	5.65%	3.531%	3.632%	1.41%	1.38%

5.64%	3.525%	3.626%	1.40%	1.38%	5.17%	3.231%	3.324%	1.11%	1.07%
5.63%	3.519%	3.619%	1.39%	1.37%	5.16%	3.225%	3.317%	1.10%	1.07%
5.62%	3.512%	3.613%	1.39%	1.36%	5.15%	3.219%	3.311%	1.09%	1.06%
5.61%	3.506%	3.606%	1.38%	1.36%	5.14%	3.212%	3.304%	1.09%	1.05%
5.60%	3.500%	3.600%	1.37%	1.35%	5.13%	3.206%	3.298%	1.08%	1.05%
5.59%	3.494%	3.594%	1.37%	1.34%	5.12%	3.200%	3.291%	1.07%	1.04%
5.58%	3.487%	3.587%	1.36%	1.34%	5.11%	3.194%	3.285%	1.07%	1.03%
5.57%	3.481%	3.581%	1.36%	1.33%	5.10%	3.187%	3.279%	1.06%	1.03%
5.56%	3.475%	3.574%	1.35%	1.32%	5.09%	3.181%	3.272%	1.06%	1.02%
5.55%	3.469%	3.568%	1.34%	1.32%	5.08%	3.175%	3.266%	1.05%	1.02%
5.54%	3.462%	3.561%	1.34%	1.31%	5.07%	3.169%	3.259%	1.04%	1.01%
5.53%	3.456%	3.555%	1.33%	1.30%	5.06%	3.162%	3.253%	1.04%	1.00%
5.52%	3.450%	3.549%	1.32%	1.30%	5.05%	3.156%	3.246%	1.03%	1.00%
5.51%	3.444%	3.542%	1.32%	1.29%	5.04%	3.150%	3.240%	1.02%	0.99%
5.50%	3.437%	3.536%	1.31%	1.29%	5.03%	3.144%	3.234%	1.02%	0.98%
5.49%	3.431%	3.529%	1.31%	1.28%	5.02%	3.137%	3.227%	1.01%	0.98%
5.48%	3.425%	3.523%	1.30%	1.27%	5.01%	3.131%	3.221%	1.01%	0.97%
5.47%	3.419%	3.516%	1.29%	1.27%	5.00%	3.125%	3.214%	1.00%	0.96%
5.46%	3.412%	3.510%	1.29%	1.26%	4.99%	3.119%	3.208%	0.99%	0.96%
5.45%	3.406%	3.504%	1.28%	1.25%	4.98%	3.112%	3.201%	0.99%	0.95%
5.44%	3.400%	3.497%	1.27%	1.25%	4.97%	3.106%	3.195%	0.98%	0.94%
5.43%	3.394%	3.491%	1.27%	1.24%	4.96%	3.100%	3.189%	0.97%	0.94%
5.42%	3.387%	3.484%	1.26%	1.23%	4.95%	3.094%	3.182%	0.97%	0.93%
5.41%	3.381%	3.478%	1.26%	1.23%	4.94%	3.087%	3.176%	0.96%	0.93%
5.40%	3.375%	3.471%	1.25%	1.22%	4.93%	3.081%	3.169%	0.96%	0.92%
5.39%	3.369%	3.465%	1.24%	1.21%	4.92%	3.075%	3.163%	0.95%	0.91%
5.38%	3.362%	3.459%	1.24%	1.21%	4.91%	3.069%	3.156%	0.94%	0.91%
5.37%	3.356%	3.452%	1.23%	1.20%	4.90%	3.062%	3.150%	0.94%	0.90%
5.36%	3.350%	3.446%	1.22%	1.20%	4.89%	3.056%	3.144%	0.93%	0.89%
5.35%	3.344%	3.439%	1.22%	1.19%	4.88%	3.050%	3.137%	0.92%	0.89%
5.34%	3.337%	3.433%	1.21%	1.18%	4.87%	3.044%	3.131%	0.92%	0.88%
5.33%	3.331%	3.426%	1.21%	1.18%	4.86%	3.037%	3.124%	0.91%	0.87%
5.32%	3.325%	3.420%	1.20%	1.17%	4.85%	3.031%	3.118%	0.91%	0.87%
5.31%	3.319%	3.414%	1.19%	1.16%	4.84%	3.025%	3.111%	0.90%	0.86%
5.30%	3.312%	3.407%	1.19%	1.16%	4.83%	3.019%	3.105%	0.89%	0.85%
5.29%	3.306%	3.401%	1.18%	1.15%	4.82%	3.012%	3.099%	0.89%	0.85%
5.28%	3.300%	3.394%	1.17%	1.14%	4.81%	3.006%	3.092%	0.88%	0.84%
5.27%	3.294%	3.388%	1.17%	1.14%	4.80%	3.000%	3.086%	0.87%	0.84%
5.26%	3.287%	3.381%	1.16%	1.13%	4.79%	2.994%	3.079%	0.87%	0.83%
5.25%	3.281%	3.375%	1.16%	1.12%	4.78%	2.987%	3.073%	0.86%	0.82%
5.24%	3.275%	3.369%	1.15%	1.12%	4.77%	2.981%	3.066%	0.86%	0.82%
5.23%	3.269%	3.362%	1.14%	1.11%	4.76%	2.975%	3.060%	0.85%	0.81%
5.22%	3.262%	3.356%	1.14%	1.11%	4.75%	2.969%	3.054%	0.84%	0.80%
5.21%	3.256%	3.349%	1.13%	1.10%	4.74%	2.962%	3.047%	0.84%	0.80%
5.20%	3.250%	3.343%	1.12%	1.09%	4.73%	2.956%	3.041%	0.83%	0.79%
5.19%	3.244%	3.336%	1.12%	1.09%	4.72%	2.950%	3.034%	0.82%	0.78%
5.18%	3.237%	3.330%	1.11%	1.08%	4.71%	2.944%	3.028%	0.82%	0.78%

4.70%	2.937%	3.021%	<b>0.81%</b>	<b>0.77%</b>
4.69%	2.931%	3.015%	<b>0.81%</b>	<b>0.76%</b>
4.68%	2.925%	3.009%	<b>0.80%</b>	<b>0.76%</b>
4.67%	2.919%	3.002%	<b>0.79%</b>	<b>0.75%</b>
4.66%	2.912%	2.996%	<b>0.79%</b>	<b>0.75%</b>
4.65%	2.906%	2.989%	<b>0.78%</b>	<b>0.74%</b>
4.64%	2.900%	2.983%	<b>0.77%</b>	<b>0.73%</b>
4.63%	2.894%	2.976%	<b>0.77%</b>	<b>0.73%</b>
4.62%	2.887%	2.970%	<b>0.76%</b>	<b>0.72%</b>
4.61%	2.881%	2.964%	<b>0.76%</b>	<b>0.71%</b>
4.60%	2.875%	2.957%	<b>0.75%</b>	<b>0.71%</b>
4.59%	2.869%	2.951%	<b>0.74%</b>	<b>0.70%</b>
4.58%	2.862%	2.944%	<b>0.74%</b>	<b>0.69%</b>
4.57%	2.856%	2.938%	<b>0.73%</b>	<b>0.69%</b>
4.56%	2.850%	2.931%	<b>0.72%</b>	<b>0.68%</b>
4.55%	2.844%	2.925%	<b>0.72%</b>	<b>0.67%</b>
4.54%	2.837%	2.919%	<b>0.71%</b>	<b>0.67%</b>
4.53%	2.831%	2.912%	<b>0.71%</b>	<b>0.66%</b>
4.52%	2.825%	2.906%	<b>0.70%</b>	<b>0.66%</b>
4.51%	2.819%	2.899%	<b>0.69%</b>	<b>0.65%</b>
4.50%	2.812%	2.893%	<b>0.69%</b>	<b>0.64%</b>