



Date: April 3, 2013

To: Senate Assessment & Taxation Committee
Senator Les Donovan - Chair

From: Doug Wareham, Senior Vice President-Government Relations

Re: S.B. 239 – Neutral – Written Statement

The following written statement is presented on behalf of the Kansas Bankers Association (KBA). KBA's membership includes 99% (286 of 289) of the commercially chartered banks in Kansas that provide financial services to Kansans in more than 400 cities and towns across Kansas. Thank you for the opportunity to provide comments regarding Senate Bill 239.

It is the position of the Kansas Bankers Association that if the State Legislature intends to adopt a long-term policy of reducing business income taxes by utilizing excess state revenues in future years, that the **privilege tax** paid by Kansas banks should be included in that formula for economic growth. Senate Bill 239 contains such a provision found on page 1 of the bill. New Section 1 calls for the utilization of state general fund receipts that exceed the previous year's receipts by more than 2% to reduce corporate income tax rates in subsequent tax years. We believe this provision should also apply to the privilege tax; the income-based tax paid by Kansas banks and savings and loans.

Banks headquartered in Kansas and out-of-state banks that operate in Kansas are required to pay the privilege tax, just as many businesses are required to pay the corporate income tax. The current privilege tax rate in Kansas is 2.25% plus a 2.125% surtax on taxable income over \$25,000, for a combined rate of 4.375%. For the record, there is not a federal privilege tax. Kansas banks pay federal income tax, which is typically in the 34% range.

In closing, we believe including the privilege tax in any future "buy-down" provision of business tax rates is simply an issue of fairness. Kansas banks are businesses too, and we respectfully request they be viewed as such when business income tax policies are considered.

Once again, thank you for the opportunity to provide input. If at a later time you have questions or require additional information, please contact me at dwareham@ksbankers.com or at (785) 232-3444.