House Committee on Taxation
Neutral Testimony House Bill 2794- Treatment of foreign income
Presented by Eric Stafford, Vice President of Government Affairs

Tuesday, April 3, 2018

Mister Chairman and members of the committee, my name is Eric Stafford, Vice President of Government Affairs for the Kansas Chamber. The Kansas Chamber appreciates the opportunity to testify as a neutral party to House Bill 2794 which addresses two provisions modified under the Tax Cuts and Jobs Act passed by Congress in December.

HB 2794 modifies two provisions. The first deals with treatment of repatriation income from international business transactions. Under old law, companies paid the difference between the 35% U.S. corporate income tax rate and the effective rate in the country where the income was earned if that money was brought back into the United States (repatriated). The new law taxes that income at a rate of 15.5% on liquid assets and 8% on illiquid assets.

According to the Tax Foundation *"Deemed repatriation is a one-time event, so states should avoid appropriating the money for recurring expenses or using it to pay down permanent tax relief…Rather than incorporating it into the budget baseline, states might consider depositing any Subpart F windfall in pension funds or rainy day funds, or using it for one-time expenditures."* Some of the discussion around the budget have included the federal windfall revenue into spending proposals. Even outside of the one-time repatriation income, we would urge this committee to oppose the temptation of causing a higher tax burden on state returns by not addressing other times not included in HB 2794.

The second provision included in HB 2794 deals with global intangible low-taxed income (GILTI) for controlled foreign corporations in which the U.S. business has an interest. If this provision is to be included, we would like to make sure the language is correct. Our contacts at the Council of State Taxation (COST) have suggested Kansas use the following language to ensure simplicity and conformity for taxpayers, instead of the language included in HB 2794.

"For all taxable years beginning after December 31, 2017, 80% of global intangible low-taxed income. Global intangible low-taxed income shall include income under section 951A of the federal internal revenue code of 1986, after any deductions allowed under section 250 of the code."

We hope this information helps your decision moving forward on HB 2794 and other items this committee could consider and we would be happy to answer questions at the appropriate time.

835 SW Topeka Blvd; Topeka, KS 66612 • (785) 357-6321 • kansaschamber.org