



Since 1894

To: Senate Committee on Assessment and Taxation  
Senator Caryn Tyson, Chair

From: Mike Beam, Sr. Vice President

Re: **NEUTRAL TESTIMONY – SB 147, legislation amending Kansas income tax laws  
(Written testimony only)**

Date: February 6, 2017

*The Kansas Livestock Association (KLA), formed in 1894, is a trade association representing nearly 5,200 members on legislative and regulatory issues. KLA members are involved in many aspects of the livestock industry, including seed stock, cow-calf and stocker production, cattle feeding, dairy production, grazing land management and diversified farming operations.*

The Kansas Livestock Association (KLA) is neutral on Senate Bill 47, which re-imposes the income tax on nonwage income of LLC's, partnerships, subchapter S corporations, and sole proprietorships. We merely want to offer strong support for bringing back the net operating loss (NOL) deduction if SB 47 or other bills re-imposing this income tax moves forward this session.

As been reported, farm income has substantially declined the last couple years and is expected to stay low in the near future. As such, KLA believes it necessary for any repeal of the income tax exemption to also allow use of the Federal net operating loss deduction (NOL). While it would be unnecessary to carryback a NOL because there was no state tax on income, agricultural producers may have an unused federal NOL from previous years which could carryforward to offset income in 2017 or later.

The current bill seems to allow a NOL deduction beginning again in 2017. The bill appears to be written in a manner to allow an unused federal NOL from any year in the carryforward period so long as the deduction is used after December 31, 2016. The federal NOL is used to offset all income, including income from wages. Obviously the use of an NOL deduction is very important to farmers and ranchers including those who have income other than farm income.

While KLA remains neutral on the underlying bill, should the bill pass, KLA suggests keeping the modification that allows a NOL deduction and perhaps clarifying that unused federal NOL from the exemption period could be used to offset future income.