



Testimony in Favor of SB 22
Presented to the House Taxation Committee on
Federal Tax Code Implementation
Presented by Natalie Bright on behalf of the
Olathe Chamber of Commerce
February 19, 2019

Chairman Johnson and Honorable Committee Members,

The Olathe Chamber of Commerce is the largest chamber in Johnson County and the second largest chamber in the Kansas City area. Comprised of 1,300 members and growing, it was the first chamber in the state to receive 5-Star Accreditation from the U.S. Chamber of Commerce – a designation obtained by less than 1 percent of the nation's chambers. Its mission is to be the voice of business that advances the economic well-being and quality of life in Olathe.

Our chamber understands legislators are faced with making tough decisions on solutions to address budget demands and adequately fund schools while maintaining a competitive taxing environment for Kansas businesses and citizens. Our members support a balanced approach to both budgeting and taxing that provides Kansans with a stable state government that also affords an advantageous and competitive economy for them to live and work. As such, due to the recent increase in the consensus revenue estimates coupled with the anticipated windfall from 2017 federal tax reforms, our members feel it would be prudent for lawmakers to consider the tax policies set out in SB 22.

Federal tax reform brought an increase in the federal standard deduction. As a result of this increase, many additional taxpayers will claim the standard deduction at the federal level. Current Kansas law requires a taxpayer to claim the standard federal deduction at the state level. Our members would like for taxpayers to be able to fully take advantage of federal tax reform and have the option to itemize at the state level if it is more advantageous for the taxpayer. In other words, if Kansas decouples from the federal tax code, taxpayers will be able to claim the standard deduction at the federal level, but itemize at the state level if it is more advantageous for the taxpayer.

In addition, SB 22 would allow Chamber members doing business internationally to benefit from Kansas decoupling from the federal repatriation code (IRC section 965), or in the alternative, authorization of a 100% deduction for the repatriation income. Historically, states have not taxed foreign income and inclusion of repatriated foreign income could put Kansas business taxpayers at risk. If Kansas decouples from the repatriation code, it will avoid significant apportionment complexity and potential disputes by Kansas businesses.

Again, our members understand and support adequate funding of state services, including funding our schools, but they also recognize that in today's global economy, it is ever important that state tax policy provide for the most competitive environment for our businesses. If Kansas doesn't move to allow decoupling as proposed in SB 22, we will force some companies to move their work outside of Kansas and gain the tax benefit in friendlier states. As such, we respectfully request you consider supporting the above outlined provisions of SB 22.

Thank you for the opportunity to appear before your committee. I will stand for questions.