



To: Kansas House Taxation Committee
From: Don Brown, Director for U.S. State Government Relations, Cargill, Incorporated
Re: Written Testimony in Support of House Bill 2186 allowing single-sales factor apportionment of business income
Date: February 16, 2021

Chairman Smith and House Taxation Committee members, Cargill appreciates the opportunity to offer written testimony in support of House Bill 2186.

Founded in 1865, Cargill's 155,000 employees across 70 countries work to achieve our purpose of nourishing the world in a safe, responsible, and sustainable way. Every day, we connect farmers with markets, customers with ingredients, and people and animals with the food they need to thrive. We connect producers and users of grains and oilseeds around the globe through origination, trading, processing, and distribution, as well as offering a range of farmer services and risk management solutions. Some of many products we produce for our customers are cocoa and chocolate, beef, turkeys, corn sweeteners, ethanol, biodiesel, food grade salt and water softener salt, and deicing salt. We produce animal feed and premix to feed beef cattle, dairy cattle, swine, and poultry. Our aquaculture business feeds salmon, shrimp, and tilapia.

For decades, Cargill has had deep roots and operations here in Kansas, where today we employ nearly 4,500. In Kansas, our businesses include:

- Grain elevators in Atchison, Hutchinson, Salina, Topeka, and WaKeeney
- Animal feed plants in Kansas City, and Emporia, where we recently made a \$4 million investment
- Salt evaporation in Hutchinson
- Office center in Olathe, which houses 150
- Beef processing in Dodge City that employs over 2,500
- Our \$70 million, 188,000 square-foot headquarters for our Protein businesses, which currently house 1,100 employees in downtown Wichita
- A \$90 million biodiesel facility, also in Wichita, which we opened in May of 2019

Cargill is proud of our work in Kansas, and excited about our future here. We strongly support House Bill 2186 that would provide taxpayers in specific industries the option to use single-sales factor apportionment for determining their Kansas corporate income tax liability.

Under current law, Kansas is one of only six states that uses an evenly weighted three-factor apportionment method (property, payroll, and sales). Kansas does allow companies to elect to

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use a two-factor (sales and property) apportionment formula if the company's payroll factor exceeds 200 percent of the average of the property and sales factors.

Even with the property/sales factor election, Kansas' method of apportioning income creates a disincentive for companies to invest and reinvest in the state. Manufacturing and production companies like Cargill require a great deal of capital to be successful in their industries. Because of how Kansas requires a company to apportion income to the state, the more a company invests in Kansas, the larger the Kansas apportionment factor, and the greater amount of the company's income that is subject to Kansas corporate tax. This policy does not encourage businesses to invest in the state.

House Bill 2186 would resolve a tax competitive issue for Kansas by allowing certain companies to use only their sales to calculate their apportionment factor and the amount of their income subject to Kansas corporate tax. Kansas is currently an outlier with other states that have adopted sales-only apportionment. In Arkansas, Colorado, Illinois, Iowa, Minnesota, Missouri, Nebraska, and Wisconsin, companies can increase their investments in these states (resulting in higher ad valorem taxes for the company), without also incurring a higher corporate income burden. This removes the disincentive to invest and expand in the state.

Thank you for allowing Cargill to offer testimony in support of House Bill 2186. Cargill respectfully requests that the Committee pass the bill out favorably. Final enactment of House Bill 2186 will improve Kansas's tax climate by removing the disincentive to invest in the state and consequently, align Kansas' tax policy with other states.