



Date: March 17, 2021

To: House Committee on Taxation
Representative Adam Smith, Chair

From: Alex Orel, Senior Vice President – Government Relations
Kansas Bankers Association

Re: Proponent Testimony – HB 2421

Madam Chair and Members of the Committee:

I am Alex Orel appearing on behalf of the Kansas Bankers Association (KBA), which was organized in 1887 and whose membership includes 98% of the 220 banks and savings & loans headquartered in Kansas. Our membership also includes 19 out-of-state commercial banks operating in Kansas. The Kansas banking industry employs more than 22,000 Kansans that provide financial services in every county across the state. Our organizational mission statement is:

“Together we support our member banks and bankers with leadership, advocacy and education to benefit the communities and customers they serve.”

We are supportive of the overall language included in HB 2421 but will talk today specifically about 162 (r). As many of you will recall from past legislative sessions, part of the federal government's "pay for" in obtaining federal tax reform was to limit, and in some cases eliminate, the ability of certain financial institutions to deduct the cost of their Federal Deposit Insurance Corporation (FDIC) premiums. Banks, savings and loan associations and savings banks all pay a premium to the FDIC to insure each depositor's accounts up to \$250,000 in the event of a failure. Simply put, this is a business expense to insure each depositor's money.

We believe that where tax policy is concerned, all tax paying financial institutions should be treated the same. The inequity created by the federal tax reform was a means of raising revenue to offset other provisions that reduced the total amount of income taxes paid to the federal government. Since there was no corresponding tax reduction in Kansas, we believe Kansas should reinstate the full deductibility of this cost to all financial institutions.

When the Committee considers acting on HB 2421, we would respectfully ask for favorable consideration of the ability for financial institutions to deduct the cost of their FDIC premiums, and the overall bill. It is a business expense and should be treated like all other business expenses. Once again, thank you for this opportunity to appear before you today. Please do not hesitate to contact me if you have questions.