



Testimony in Support of the Income Tax Bill
Mr. Daniel Murray
Kansas State Director, National Federation of Independent Business

Senate Assessment & Taxation Committee
January 13, 2021

Madam Chair and members of the committee, I am pleased to submit testimony in strong support of the bill on behalf of NFIB Kansas. NFIB Kansas is the leading small business organization in Kansas representing small and independent businesses. A non-profit, nonpartisan organization founded in 1943, NFIB Kansas represents the consensus views of its over 4,000 members in Kansas.

This bill would remove a restriction under current law preventing Kansas individual income taxpayers from itemizing deductions for state income tax purposes unless they also itemize deductions for federal income tax purposes. The bill would provide an option for small business owners to take Kansas itemized deductions regardless of whether itemized deductions or the standard deduction are claimed for federal tax purposes. The bill will ensure that Kansas individuals and small businesses can fully avail themselves of the benefits brought by the federal Tax Cuts and Jobs Act.

As of 2020, there are more than 256,000 thousand small businesses – representing 99.1 percent of all firms in Kansas– and they employ over 600,000 workers, over half of the state’s workforce. With the overwhelming majority of those small business owners filing at the individual level, the flexibility to itemize is critical to the profitability and viability of small businesses. Indeed, **Small Businesses Are Personal**: 75% of small businesses are unincorporated pass-through entities, meaning most owners report business income on their personal taxes. This is true regardless of whether the owner is taking the profits home or plowing them back into the business.

This bill ensures Kansas small business owners can fully avail themselves of the benefits afforded via the Federal Tax Cuts and Jobs Act. The passage of the federal tax cuts contributed to historically high small business optimism. However, the failure to appropriately respond to the inconsistencies generated by the passage of positive tax reform at the federal level has resulted in a tax increases on many small businesses. Kansas can’t afford that—particularly in these uncertain economic times.

Thank you for your consideration of our comments, and we strongly urge you to vote favorably for the passage of this legislation.