



March 10, 2022

Madame Chair and Members of the Committee,

On behalf of the Wichita Regional Chamber of Commerce and our nearly 1,500 members, thank you for the opportunity to provide written testimony in support of S.B. 495, AN ACT concerning income taxation; relating to deductions; establishing the salt parity act; allowing pass-through entities to elect to pay state income tax at the entity level; amending K.S.A. 79-3220 and K.S.A. 2021 Supp. 79-32,117 and 79-32,138 and repealing the existing sections; also repealing K.S.A. 2021 Supp. 79-32,117q.

The Chamber supports S.B. 495 because it would allow Sub Chapter S-Corporations (S-Corps), partnerships and multi-member Limited Liability Companies (LLCs) the ability to elect to pay their state income tax at the level of the business entity, instead of at the individual income tax level. This allowance would reduce federal income tax payments for Kansas business owners, while not reducing what they pay in state income tax.

Federal tax reform from 2017 capped deductions for state and local income taxes at \$10,000 per year. This cap applied to the business income of pass-through businesses, but not the income earned by C corporations. C corporations may continue to fully deduct the SALT they pay as a business expense against federal taxes. As most states impose tax on pass-through businesses at the owner level, the disparate treatment puts them at a significant disadvantage compared to C corporations.

The SALT deduction cap applies to individual tax payments, not business tax payments. So, SALT paid by an individual is subject to the \$10,000 cap while SALT paid by a C corporation is not. S corporations and partnerships are stuck in the middle – the SALT paid by their owners is subject to the cap but the SALT paid directly by the business is not. The SALT Parity plan shifts the incidence of the tax from owners to the business. The business pays the tax and deducts the payment as a business expense. As a result, the income flowing through to the owners is reduced on their federal taxes. Taxes paid to the state stay the same while the taxes paid to the federal government are reduced by the full SALT payment.

Several states, including some of Kansas neighboring states have already passed SALT parity. As a matter of tax fairness and in the interest of keep Kansas economically competitive, we request that the Committee report S.B. 495 favorable for passage.

Very truly yours,

Jason P. Watkins