

To: Senate Assessment & Taxation

From: Hugh O'Reilly

Date: March 14th, 2022

RE: Proponent Testimony SB 556

Chair and members of the committee, my name is Hugh O'Reilly Jr. and I own and operate two McDonald's restaurants in Kansas which are located in Ottawa and Emporia.

First, let me thank all of you for the guidance and assistance that the state of Kansas provided to small businesses throughout the pandemic. Whether it was the deductibility of meals or creating more clarity on how the emergency management plan operates in Kansas, it was difficult for everyone and I appreciate your willingness to lean into the issue.

It was and still is a great example of how the government and business can work together during difficult times. With that said, it would appear that the pandemic is hopefully behind us, but I believe the economic effects are not and will likely play out for many years to come. That is why I am here today.

The ERTC was very effective in allowing me to run my business during the locally mandated lockdowns. Like many small businesses, we remained operational by utilizing our drive thru, offering delivery as possible, and using creativity to provide take out options to serve our community. The pandemic forced us to scrutinize every dollar we spent like never before, because we were operating in uncharted territory. I was surprised, as were many other small business owners, that this tax credit was not treated in the same fashion as the WOTC. I had no idea that these ERTC wages would be added back to our taxable expenses.

This oversight will cost me approximately \$20,000 in 2020 and another \$13,000 in 2021. These are unplanned costs for my organization during a time when I am still trying to recover from the economic impact of the pandemic and now new inflationary issues. This unexpected expense is severe and will hurt the small businesses in Kansas who cooperated with local governments to serve our communities, and keep everyone safe from the virus.

I am asking for you to please review the tax treatment of the ERTC and treat it similarly to the WOTC.

Thanks again and I am always available for questions.