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February 14, 2024

Representative Adam Smith, Chair  
Representative Brian Bergkamp, Vice Chair  
Representative Tom Sawyer, Ranking Minority Member  
Kansas Legislature, House Committee on Taxation

**Re: Support of H.B. 2420 - Establishing Tax Withholding Requirements When Certain Employees Work in Multiple States**

Dear Chair Smith, Vice Chair Bergkamp, Ranking Minority Member Sawyer, and Members of the Committee:

On behalf of the Council On State Taxation (COST), I am writing in support of H.B. 2420, which would establish a 30-day safe harbor for non-resident employees that travel into Kansas to temporarily perform work duties. H.B. 2420 simplifies individual income tax filings and reduces employers' withholding and reporting burdens related to their employees working less than 30 days in Kansas. It also contains a reciprocity provision that would limit the applicability of the law to residents of other states offering similar withholding and personal income tax liability requirements, giving Kansas residents the same benefits when they perform out-of-state work travel in those states.

**About COST**

COST is a non-profit trade association based in Washington, DC. COST was formed in 1969 as an advisory committee to the Council of State Chambers of Commerce and today has an independent membership of over 500 major corporations engaged in interstate and international business, many of which directly do business in Kansas. COST's objective is to preserve and promote the equitable and non-discriminatory state and local taxation of multijurisdictional business entities.

**Non-Resident Taxation Becoming an Increasing Problem**

Every day, hundreds of thousands of employees across the country are sent by their employers to work in states where employees are not residents. Most of these trips are temporary in nature, with employees conducting limited business in the non-resident state for short periods of time and then returning to their resident state. Non-resident employees who travel to Kansas for business purposes are subject to onerous

administrative burdens because, in addition to filing federal and resident state income tax returns, they are also legally required to file an income tax return in Kansas, and their employers must withhold Kansas income tax from their pay checks, if they spend *even a single day working in Kansas*.<sup>1</sup>

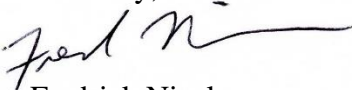
### **A Simple Solution: Impose a 30-Day Threshold with Reciprocity**

H.B. 2420 provides for a fair and easily administered law in the form of a 30-day threshold which helps individuals and businesses stay compliant with tax return and withholding laws, greatly reducing the undue burden that the current system places on employees and employers. The 30-day threshold is a simple solution to protect non-resident employees traveling into Kansas for a temporary period from incurring a personal income tax liability in Kansas and employers (including businesses, associations, governments, and unions) from incurring withholding obligations for those employees.<sup>2</sup> Of course, a non-resident employee's earnings would be subject to income tax in Kansas if the employee is present and performing duties for more than 30 days during the calendar year, from day one. The legislation also has a reciprocity provision to offer Kansas' 30-day safe harbor to only those non-resident employees whose resident state provides the same protection to Kansas employees—a provision which will encourage other states with an income tax to adopt comparable legislation.

### **Conclusion**

H.B. 2420 is not just a business bill – it also protects individual employees such as emergency workers and first responders; trade union workers; non-profit staff; teachers; federal, state and local government employees; and many others. Many organizations with employees who cross state lines for temporary periods will benefit from this law. Enactment of H.B. 2420 will greatly improve Kansas' national reputation for fair, efficient and customer-focused tax administration. We stand ready to assist you in your efforts to enact this important measure.

Sincerely,



Fredrick Nicely

cc: COST Board of Directors  
Douglas L. Lindholm, COST President & Executive Director

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<sup>1</sup> States that have enacted similar provisions are Illinois S.B. 1515 (2019); Indiana S.B. 419 (2023); Louisiana S.B. 1517 (2021); Montana H.B. 447 (2023); and West Virginia H.B. 2026 (2021).

<sup>2</sup> There are exceptions for certain types of employees; professional athletes, professional entertainers, and qualified production employees would be subject to Kansas' income tax on all income earned in the State.