Kansas Grain and Feed Association

January 31, 2023

To: House Committee on Taxation
From: Randy Stookey, Senior Vice President & General Counsel
Re: **Proponent Written Testimony on House Bill 2110, allowing single sales factor apportionment of business income.**

Chairman Smith and members of the committee, thank you for the opportunity to provide testimony in support of House Bill 2110. This testimony is submitted on behalf of the Kansas Grain and Feed Association (KGFA).

KGFA is the state association of the grain receiving, storage, processing, and shipping industry in Kansas. KGFA's membership represents 99% of the commercially licensed grain storage in the state.

Across Kansas, our member grain elevators receive, store, treat, market, and transport hundreds of millions of bushels of Kansas-grown grain every year. These facilities provide gainful employment for thousands of Kansans, contribute greatly to the Kansas economy, and annually pay millions of dollars in property taxes to help support schools and local government. The ability of our industry to operate a competitive or profitable business is greatly determined by the amount of their overhead and fixed costs, such as taxes.

Grain elevators that operate in multiple states must apportion any income across those taxing jurisdictions for purposes of calculating income tax. To determine income tax liability, Kansas is only one of a few states that still uses an evenly weighted three-factor system (property, payroll, sales) for apportioning income.

States, such as Kansas, that consider property and assets present in the state to apportion income tax, are at a competitive disadvantage. Companies consider this tax policy when determining where to make future capital expenditures. Frankly, our tax policy makes it more costly to do business in Kansas as the more a company invests in the state, the greater the income tax burden becomes.

House Bill 2110 would strengthen Kansas tax policy by allowing companies to elect to use a single-factor apportionment methodology based on the amount of sales in the state. Unfortunately for Kansas, many of our neighboring states (Missouri, Nebraska, Colorado, Iowa, Arkansas, Illinois, Minnesota, and Wisconsin) already allow this type of apportionment methodology.

House Bill 2110 represents sound tax policy to encourage economic growth and investment. While the fiscal note estimates a cost to the state, dynamic scoring of the fiscal impact must also consider the positive effects of Kansas providing a more positive tax policy for greater corporate investments in our state.

For the reasons stated, we stand in support the measure. Thank you for allowing us the opportunity to testify in support of House Bill 2110. We would respectfully request that the committee pass the bill out favorably.