



Kansas Grain and Feed Association

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Date: January 17, 2019
To: Senate Committee on Assessment and Taxation
From: Randy E. Stookey, Senior Vice President of Government Affairs
RE: **Written, Neutral Testimony on SB 13, Proponent on possible amendment addressing partial decoupling of Kansas corporate tax code from federal code: 19rs0168**

Chairman Tyson and members of the committee, thank you for the opportunity to provide testimony on Senate Bill 13. 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 over 950 business locations and 99% of the commercially licensed grain storage in Kansas

KGFA takes a neutral position on the underlying bill, as presented. However, as Kansas follows rolling conformity with the federal tax code, certain provisions of the 2017 Federal Tax and Jobs Act will cause some of our member companies to experience an increase in state taxes as all foreign-source income will now become taxable under the Kansas corporate tax code. For this reason, we would ask that SB 13 be amended to include the amendment discussed by the committee on Wednesday, January 16, 2019 (19rs0168).

The purpose of 19rs0168 is to amend the Kansas corporate tax code to ensure that Kansas corporations do not experience a large tax increase based on the recent federal changes. As was discussed in detail by conferees to the committee, without the changes to the Kansas code offered by 19rs0168, some of our members will be harmed by the state taxing foreign income that was never previously taxed by Kansas.

Specifically, as we understand it, 19rs0168 would amend the Kansas tax code to "decouple" Kansas from the Internal Revenue Code, as follows:

- 965(a) and 965(c), for repatriated income,
- 951A, 250(a)(1)(B)(i), for global intangible low-taxed income or "GILTI",
- IRC section 163(j), regarding interest limitation deductions,
- IRC section 118, regarding capital contributions, and
- IRC section 162(r), regarding FDIC premiums.

Each of these provisions was previously deemed necessary, and was included in House Bill 2228 in 2018. As other states have moved to preclude this new taxation on corporations, so Kansas must also act to amend its tax code or it will become much less competitive for receiving or maintaining large corporate employers in our state.

Thank you for allowing us the opportunity to testify on SB 13. For the reasons stated above, we respectfully request that the committee adopt amendment 19rs0168 and pass the bill out favorably as amended.