

# Testimony for Kansas Special Committee on Economic Recovery

Federal Tax Law Issues  
CARES Act Provisions

November 16, 2020

# Major CARES Act provisions to consider

- Payroll Protection Program loans
  - Debt forgiveness income – tax exemption
  - Expense deductibility
- Net Operating Loss (NOL) carryback
  - Losses incurred 2018-2020
  - Carried back five years to offset income

# Things to consider

## ➤ Payroll Protection Program loans

- Double dip or single dip?
  - Tax-exempt forgiveness, deductible expense
- Assume \$4.9 billion PPP loans in Kansas
  - SBA reports \$4,996,112,228
- Assume 6% effective tax rate
  - Corporate Rate is 7% for income over \$50K
  - Individual Rate is 5.7% for income over \$30K/\$60K
- \$294,000,000 effect on revenues for each dip
  - Subject to apportionment with other states

# Things to consider

- Net Operating Loss (NOL) carryback
  - Current Kansas tax law for NOL carrybacks conforms to Federal law (KSA 79-32,143)
    - No NOL Carrybacks prior to CARES Act
    - Kansas law allows Federal adjustments to arrive at Kansas taxable income (Pre 2017 exception)
  - Difficult to project amounts
    - Using same assumptions as previous slide, then
    - Approx. \$60,000 refund per \$1,000,000 of NOL
  - Potentially refunding taxes already paid vs. foregoing future revenue under PPP provision