



**House Committee on Taxation  
Testimony in Support of Senate Bill 22  
Presented by Eric Stafford, Vice President of Government Affairs**

**Wednesday, March 17, 2021**

Mister Chairman and members of the committee, my name is Eric Stafford, Vice President of Government Affairs for the Kansas Chamber. The Kansas Chamber appreciates the opportunity to testify in support of Senate Bill 22, which addresses conformity issues related to the tax cuts and jobs act (TCJA) passed by Congress in December 2017.

SB 22 has some of the same provisions as House Bill 2421 that is also before this committee for consideration. This subject is not new to Kansas lawmakers. Unfortunately, previous efforts from the Legislature have been vetoed by Governor Kelly. Last year, legislation failed to pass due to the COVID-shortened session. We feel it is important to state from the beginning that a state electing to decouple from these provisions is not a tax cut for corporations. These provisions included in previous versions, and this bill were implemented to lower the federal corporate rate from 35% to 21%. Just like the individual itemization issue, federal tax changes in rolling conformity states such as Kansas created an unlegislated tax increase on Kansas corporations and individuals if proactive measures are not taken.

Like last year, this year's bill does not propose to decouple from IRC 965 repatriated earnings. Our members have agreed to forgo decoupling on that provision in an attempt to show compromise, reduce the fiscal note and find a solution that can earn support of the Legislature and the Governor.

SB 22 proposes to decouple from the following items:

- IRC 951A, 250(a)(1)(B)(i) or GILTI as it is known
- IRC section 163(j) on interest limitation deductions
- IRC 118- capital contributions
- IRC 162(r)- FDIC premiums

As previously stated, these, business-related provisions were created to help pay for the reduction in the corporate income tax rate, but more importantly, to eliminate disincentives on investment in the United States. TCJA moves business taxes from a worldwide taxation system to a territorial system reflective of the global environment. The Senate floor debate saw several amendments added that significantly increase the cost of the bill which we do not have a position on, and while we conceptually support those ideas, we believe those should be debated in separate policy bills.

In closing, we hope this information helps with your decision to support efforts to decouple from these four provisions related to the tax cuts and jobs act. We appreciate the opportunity to testify in support of Senate Bill 22, and I'm happy to answer any questions you might have at the appropriate time.