



## Kansas Grain and Feed Association

February 8, 2022

To: House Committee on Taxation  
From: Randy Stookey, Senior Vice President & General Counsel  
Re: **Proponent Written Testimony on House Bill 2186, allowing single sales factor apportionment of business income for certain taxpayers.**

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Chairman Smith and members of the committee, thank you for the opportunity to provide testimony in support of House Bill 2186. 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.

Any system that considers property and assets present in the state to apportion income tax, such as ours, places the state at a competitive disadvantage. Companies will consider this tax policy when determining where to make 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 2186 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.

The changes offered by House Bill 2186 represent sound public policy. For that reason, we stand in support of the measure. While the bill is estimated to present a direct cost to the state, dynamic scoring of the fiscal impact must consider the positive effects of Kansas providing a more positive tax policy for corporate investments in our state.

Thank you for allowing us the opportunity to testify in support of House Bill 2186. We would respectfully request that the committee amend the bill to add any additional NAICS codes presented, and pass the bill out favorably as amended.