



**Senate Committee on Assessment and Taxation
Testimony in Support of Senate Bill 495
Presented by Eric Stafford, Vice President of Government Affairs**

Thursday, March 10, 2022

Madam Chair 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 support Senate Bill 495, which would address the discrepancy between C-Corps and pass-through entities as it relates to the state and local tax (SALT) deduction.

As a “pay-for” in the tax cuts and jobs act passed by Congress in late 2017, the deduction for state and local taxes paid was capped at \$10,000 per year on individual tax payments. C-Corps paying taxes as business entities were not impacted by this change and can still fully deduct taxes paid as a business expense against their federal taxes, but business owners who file through their individual taxes (pass-through entities) were limited. SB 495 would address this discrepancy.

The IRS issued Notice 2020-75 to clarify that state and local taxes paid by a partnership or S corporation are allowable as deductions for federal tax purposes. According to the group Parity for Main Street Employers, “the notice reassures taxpayers that they can rely on the Notice when filing their taxes this year, and that this interpretation applies to tax years preceding the Notice’s publication.”

The last update we were able to find, seven states have addressed the SALT parity issue, but not every state needs to act (those with no income tax). But Kansas is structured to have taxes on pass-through entities paid by the owners and therefore needs to act.

In closing, we would ask for your support of Senate Bill 495 to address the disparity in tax treatment among Kansas businesses. We appreciate the opportunity to submit testimony in support of Senate Bill 495, and I am happy to answer any questions at the appropriate time.