



Date: February 15, 2023

To: House Committee on Taxation
Representative Adam Smith, Chairman

From: Alex Orel, Senior Vice President – Government Relations
Kansas Bankers Association

Re: HB 2061 – Proponent Testimony

Mr. Chairman and committee members, I am Alex Orel appearing on behalf of the Kansas Bankers Association (KBA). It is also my pleasure to introduce Kelly VanZwoll, who serves as Assistant Vice President – Government Relations & Staff Attorney. We look forward to being a resource for you and the committee as you consider financial service issues in the coming weeks and months. Thank you for the opportunity to present proponent testimony on HB 2061 and highlight the many roles of our organization and the services we provide to community banks and savings and loans across Kansas.

Kansas Bankers Association Background Information:

The KBA was founded in 1887, is a voluntary, non-profit trade association governed by its membership. The KBA is headquartered in Topeka, Kansas, and is led by our 24-member board of directors. The KBA staff, which President/CEO Doug Wareham leads, includes 37 professionals, including 11 attorneys, that provide services to Kansas bankers ranging from legislative advocacy to educational training to insurance services to legal and regulatory compliance support. Our mission statement is direct and straightforward:

"Together, we support our member banks and bankers with leadership, advocacy, and education to benefit the communities and customers they serve."

KBA's membership includes 98% of the headquartered banks in Kansas. Our membership also includes 20 out-of-state commercial banks operating in Kansas and seven savings and loans. Our member banks employ more than 22,000 Kansans that provide financial services in every county across the state. While our member banks range in assets from the smallest in our state to the largest in our state, each member bank that belongs to the KBA has one vote on policy positions adopted by either our general membership or our Board of Directors. One member, one vote.

KBA Division & Services:

While you are all aware that advocacy is an essential role of the KBA, you may not be aware of the vast array of services and support we provide to Kansas banks and Kansas bankers. Those include:

KBA Insurance, Inc. is a subsidiary of the KBA founded in 1900 offers bonding, property & casualty products, cybersecurity, bank director liability insurance, and life and health insurance products for the Kansas banking industry. KBA's self-funded health insurance plan covers more than 12,000 Kansans making it the second-largest group covered by Blue Cross/Blue Shield. Health insurance premiums collected for our self-funded plan totaled almost \$70 million in 2022 and are growing.

KBA's Education & Conferences Departments provides more than 300 training opportunities annually for more than 4,000 bank employees ranging from high-level economic and investment conferences and seminars to in-depth training for lenders, compliance officers, trust officers, human resource managers, and front-line bank personnel. KBA also invests in financial literacy programs for their customers, focusing on financial literacy for high school students and financial protection for the elderly.

The fastest growing division of the association is KBA's Legal & Compliance Department. The department fields more than 4,000 calls annually from Kansas bankers working to comply with the various state and federal regulations governing the Kansas banking industry. Thirteen years ago, we embarked on a new venture to help Kansas banks with our industry's growing regulatory burden. In 2010, our organization formed a new subsidiary, Kansas Bankers Consulting Services, LLC, to provide KBA member banks with compliance, audit, and legal assistance. We currently have 127 banks utilizing these services, and we expect that number to grow. In 2022 we began offering outsourced compliance services to our member banks through Compliance First Banking Solutions and are working with 8 member banks currently.

Despite rising regulatory costs, the banking industry remains the backbone of local economies across Kansas, as we all saw through the COVID-19 pandemic upended our lives. We are proud to say that our member banks stuck in there and remained open throughout the pandemic and did everything they could to help their customers and the communities they serve.



HB 2061 – Proponent Testimony

We appreciate the legislature's work this year in looking at tax relief for Kansans and Kansas businesses. We are supportive of the intent of the underlying bill, and we know and understand that there will need to be some changes to this bill as the tax debate progresses this session.

I will speak specifically about Sec. 2 of the bill regarding Kansas privilege taxpayers. Under Kansas corporate income taxes, the entity does not pay tax on the interest earned on U.S. Treasury & Agency securities, but the privilege tax does require us to pay tax on these investments. Currently, banks pay a rate of 4.375%, and savings and loans and trust companies pay a rate of 4.5%. The difference in taxation reflects that additional tax our industry pays on other income and is based upon the average Kansas bank's income from U.S. Treasury & Agency securities. The privilege tax is broken into two pieces, a primary tax on the first \$25,000 of income and a surtax on top of the primary tax for all income over \$25,000. The language within Sec. 2 is a corresponding rate reduction for privilege taxpayers, the same percentage decrease contained in the bill for corporate income taxpayers.

When the committee takes up this bill or any other tax legislation, we respectfully request that you support the inclusion of a corresponding tax reduction for privilege taxpayers. Banks, savings and loans, and trust companies are businesses, too. We are just subject to a separate tax.

Thank you for the opportunity to provide proponent testimony on HB 2061. I would be happy to stand for questions. If you have questions or require additional information at a later time, please get in touch with me at aorel@ksbankers.com or (785) 232-3444.