



Written Testimony in Support of Senate Bill 40
Mr. Daniel Murray
Kansas State Director, National Federation of Independent Business

House Taxation Committee
January 23, 2024

Chairman and members of the committee, I am pleased to submit testimony on behalf of NFIB Kansas in strong support of SB40, which amends state law related to the net operating loss (NOL) carry forward standard. NFIB Kansas is the leading small business organization in Kansas representing small and independent businesses. A non-profit, nonpartisan organization founded in 1943, NFIB Kansas represents the consensus views of its over 4,000 members in Kansas.

Following the passage of the federal Tax Cuts and Jobs Act in 2017, the federal standard for NOL carry forward moved from 20 years at the full amount to an indefinite period at 80% of taxable income. In 2022, Senate Bill 543—subsequently inserted into Senate Sub for HB2239—addressed this issue and said that the Kansas’ NOL deduction shall be allowed in the same manner that it is allowed under the federal code, except that the deduction may only be carried forward 20 years following the year of the loss. This passed and was signed into law. However, the version failed to include tax years 2018, 2019, and 2020. Senate Bill 40 would address this omission.

In our most recent *Small Business Problems and Priorities*, NFIB found that tax-related issues continue to be some of the most significant problems for small business owners. Four of the top 10 most severe problems for small-business owners are tax related small business issues. Amid the current inflationary economic climate, SB40 would help to alleviate some of the tax burdens that confront small business owners at time when they need it most.

As a reference, in a 2020 NFIB Small Business Survey which gauged this issue, **we found that thirty-seven percent of small business owners report that they anticipate having a net operating loss in 2020, another 22% do not know yet. Of those who anticipate a net operating loss in 2020, 34% of them plan to carry it back when they file their 2020 tax return.** These numbers demonstrate the depth of the problem this bill could help address.

Thank you for the opportunity to provide comments today and we urge you to pass out SB40 favorably.