



**Date:** March 13, 2024

**To:** Senate Committee on Assessment and Taxation  
Senator Caryn Tyson, Chair

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

**Re:** SB 507 – Written Neutral Testimony

Madam Chair and committee members, I am Alex Orel, and I am submitting proponent testimony on behalf of the Kansas Bankers Association (KBA). I am also pleased to submit this testimony on behalf of my colleague Kelly VanZwoll, our Vice President – Government Relations & Staff Attorney. We look forward to being a resource for you and the committee for the remainder of this legislative session and thank you for the opportunity to submit written neutral testimony on SB 507.

**Kansas Bankers Association Background Information:**

The KBA was founded in 1887 and 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 40 professionals, including 13 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:

*"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. Our member banks employ more than 21,000 Kansans who provide financial services in every county across the state. While our member banks range in assets from the smallest 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.



**SB 507 — Written Neutral Testimony**

We appreciate the legislature's work this year in looking at tax relief for all Kansans and allowing us to submit neutral testimony on SB 507. This bill would provide corporate income taxpayers a single factor apportionment method when determining corporate income tax liability. We would respectfully ask that the committee amend this bill to include the language in Section 2 of HB 2798 which includes the privilege tax.

As the committee has discussed before, the privilege tax is the financial institution's income tax for banks, savings, loans, and trust companies. Kansas banks, trust companies, and savings and loans are not subject to Kansas corporate income tax because they pay the privilege tax, which is their income tax. The privilege tax requires these entities to pay taxes on the interest income from U.S. Treasury Agency & Securities, whereas the corporate income tax does not require it. The difference in the rate between the two types of income taxes is meant to reflect the difference in taxation.

Kansas is one of only six states that still uses a three-factor apportionment method. This formula weighs a company's payroll, property, and sales or receipts in the state to calculate the amount of income attributable to Kansas privilege tax. Another difference in the two types of income taxation is that privilege taxpayers use the "receipts" factor instead of the "sales" factor. The primary difference is that gross sales refer specifically to sales income, while gross receipts includes income from non-sales sources, such as interest, dividends or donations.

Because Kansas includes payroll and property in the apportionment calculation of the privilege tax, taxpayers are disadvantaged with higher taxes for every dollar of capital investment made in the state and for every new employee hired in Kansas. Kansas banks, trust companies, and savings and loans are businesses and taxpayers too. The three-factor apportionment is a burden to privilege taxpayers as they are effectively getting double taxed on their income for choosing to invest in Kansas, as many states have switched to single factor apportionment.

Thank you for the opportunity to submit neutral testimony and we appreciate your consideration of including the privilege tax in this bill. We respectfully request that when the Committee takes action on SB 507, it includes the privilege tax language in Section 2 of HB 2798. If you have questions or require additional information, please contact me at [aorel@ksbankers.com](mailto:aorel@ksbankers.com) or (785) 232-3444.