



KANSAS BANKERS ASSOCIATION

Date: February 26, 2025

To: House Committee on Taxation
Representative Adam Smith, Chair

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

Re: Written Proponent Testimony for HB 2336

Mr. Chair and committee members, I am Alex Orel on behalf of the Kansas Bankers Association (KBA). It is also my pleasure to introduce Kelly VanZwoll, Vice President – Government Relations & Staff Attorney and J.W. Wells, KBA's Ag Bankers Division Coordinator & Government Relations Assistant. 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 submit testimony in support of HB 2336

Kansas Bankers Association Background Information:

The KBA, 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 42 professionals, including 15 attorneys licensed in 5 states, 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:

"The Kansas Bankers Association strengthens and supports the Kansas banking industry by advocating for sound financial policies, promoting innovation, and fostering economic growth across the state to ensure a vibrant financial future for all Kansans."

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 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.

HB 2336—Proponent Testimony

We appreciate the legislature's work this last year and this year in looking at tax relief for all Kansans and allowing us to submit proponent testimony on HB 2336. This bill would provide corporate income taxpayers and privilege taxpayers a single factor apportionment method when determining corporate income tax liability.

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.

We appreciate Kansas Chamber's effort to work with Kansas businesses on this bill over the past few years to address concerns from different industries. We understand there may need to be further discussion on the election timeline, and we will continue to work with the Chamber and the legislature on this proposal.

We sincerely appreciate your time and attention to this matter. As the Committee deliberates on HB 2336, we respectfully urge favorable consideration for its passage. Thank you for the opportunity to provide proponent testimony and if you have questions or require additional information later, please get in touch with me at aorel@ksbankers.com or (785) 232-3444.