
Kansas House Taxation Committee
Written Testimony in Support of House Bil 2336
Pfizer Inc. and Subsidiaries
February 26, 2025

To the Honorable Adam Smith, Chairman House Committee on Taxation and Members of the House Taxation Committee, Pfizer appreciates the opportunity to offer written testimony in support of House Bill 2336.

Pfizer's Operations in Kansas

Pfizer is proud of its manufacturing operations in Kansas. Pfizer has made significant investments in its 750,000 square foot facility in McPherson, which employs approximately 1,400 people.

House Bill 2336

House Bill 2336 would change the way corporations compute their Kansas income tax by changing from a three-factor apportionment method (payroll, property, and sales) to using a single factor apportionment method (sales).

As discussed below, a change from three factor apportionment to single sales factor apportionment encourages capital investment and job creation in Kansas. It also aligns Kansas with the method of apportionment used by the majority of states.

Corporate Income Tax Calculation - Apportionment

Under state law, a corporation is responsible for paying corporate income tax on its business income. When a corporation operates in multiple states, the corporation must divide its business between the states in which it operates. The process of dividing the income between states is known as apportionment.

Historically, it was common for states to compute their apportionment using an evenly weighted three factor formula computed by averaging the percentage of in-state payroll, property, and sales over the total everywhere payroll, property, and sales. However, most states have moved away from using the even weighted three factor formula and instead



compute apportionment using only the sales factor. Currently Kansas is an outlier as it is one of the very few states that still computes its apportionment using three factors¹.

By including Kansas payroll and Kansas property in the apportionment calculation, corporations incur a higher income tax for every dollar of capital investment they make in Kansas and for every person they employ in Kansas. Put another way, the three-factor apportionment method penalizes corporations who invest in Kansas.

Single Sales Factor Apportionment

A change to single sales factor will align Kansas with the apportionment methodology used by most states and will help encourage companies to increase their investment in Kansas.

Recognizing the economic disincentive of taxing companies using the three-factor apportionment method, the majority of states have transitioned to the single sales factor apportionment method.² Massachusetts and Tennessee became the two most recent states to enact single sales factor apportionment, with both states making the change effective for 2025.

Kansas is an outlier in requiring corporations to compute their income tax liability using three factor apportionment and as such is at an economic disadvantage when recruiting business to move into or expand operations in the state.

Conclusion

Pfizer encourages this Committee to pass HB 2336 out favorably. Thank you again for the opportunity to offer written testimony in support of this bill.

¹ Alaska and Hawaii also compute apportionment for all companies using three factors even weighted apportionment.

² Of the 45 states that impose a corporate income tax, 36 states have enacted single sales factor for all corporations; another 4 states allow single sales factor for certain corporations.