



Special Committee on Economic Recovery

Eric Stafford

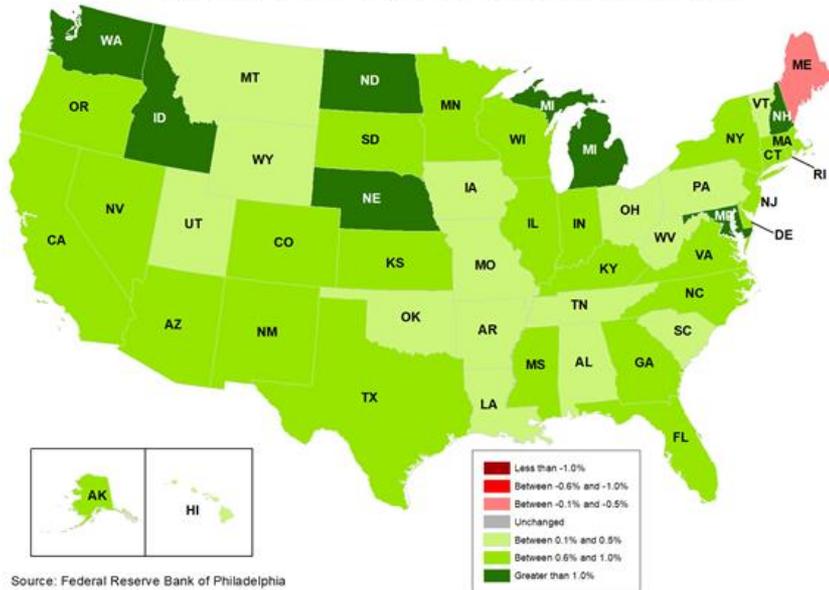
Vice President of Government Affairs

Kansas Chamber of Commerce

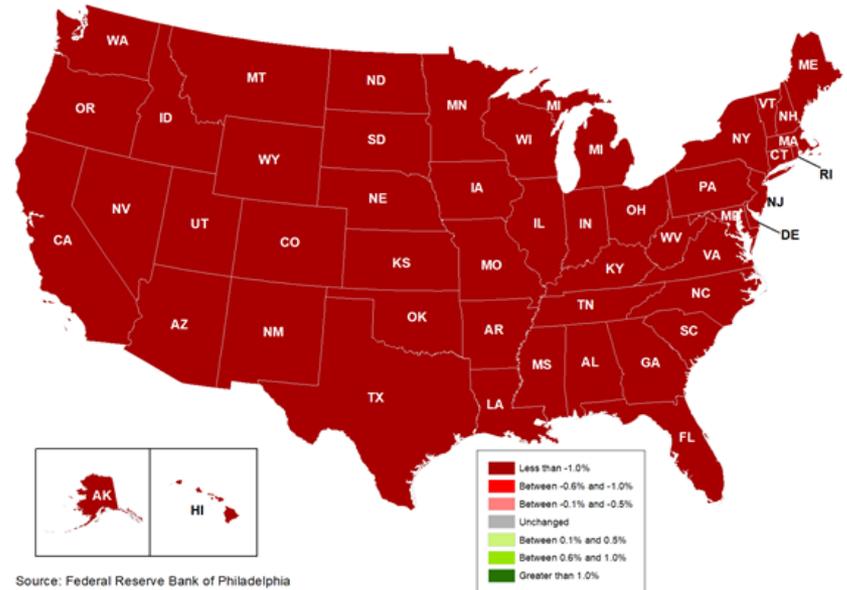
November 16, 2020

2021 Economic Recovery Legislative Proposals

February 2020 State Coincident Indexes: Three-Month Change



May 2020 State Coincident Indexes: Three-Month Change



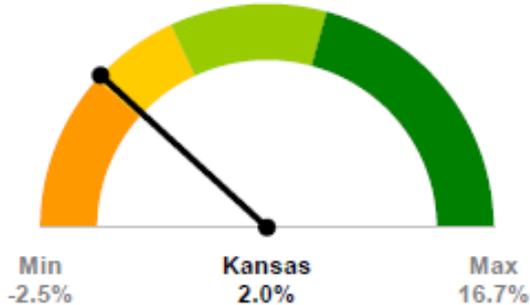
Slow Growth State

US News, Best States 2019 Economy Breakdown on Growth – Kansas Ranking (2018 in parenthesis)

Growth	39(47)		
GDP Growth	29(41)		
Growth of Young Population	37(50)		
Employment	30(16)		
Job Growth	45(42)		
Business Environment	29(33)		

Slow Growth State

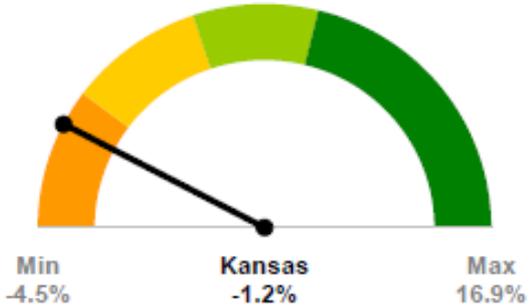
Population Change



Percent Change, 2010-2018



Labor Force Growth



Percent Change, 2010-2018



How do we recover?

- Need a competitive environment to attract investment and talent
- Not all about taxes, but they matter
- Utilize state's strengths (*well-educated workforce, manufacturing sector*)
- Improve our weaknesses (*lack of industry diversity, mediocre tax code, slipping legal climate*)

Policy Recommendations

- Decoupling
- Property Tax
- Marketplace Fairness
- Unemployment Insurance
- Legal Reform

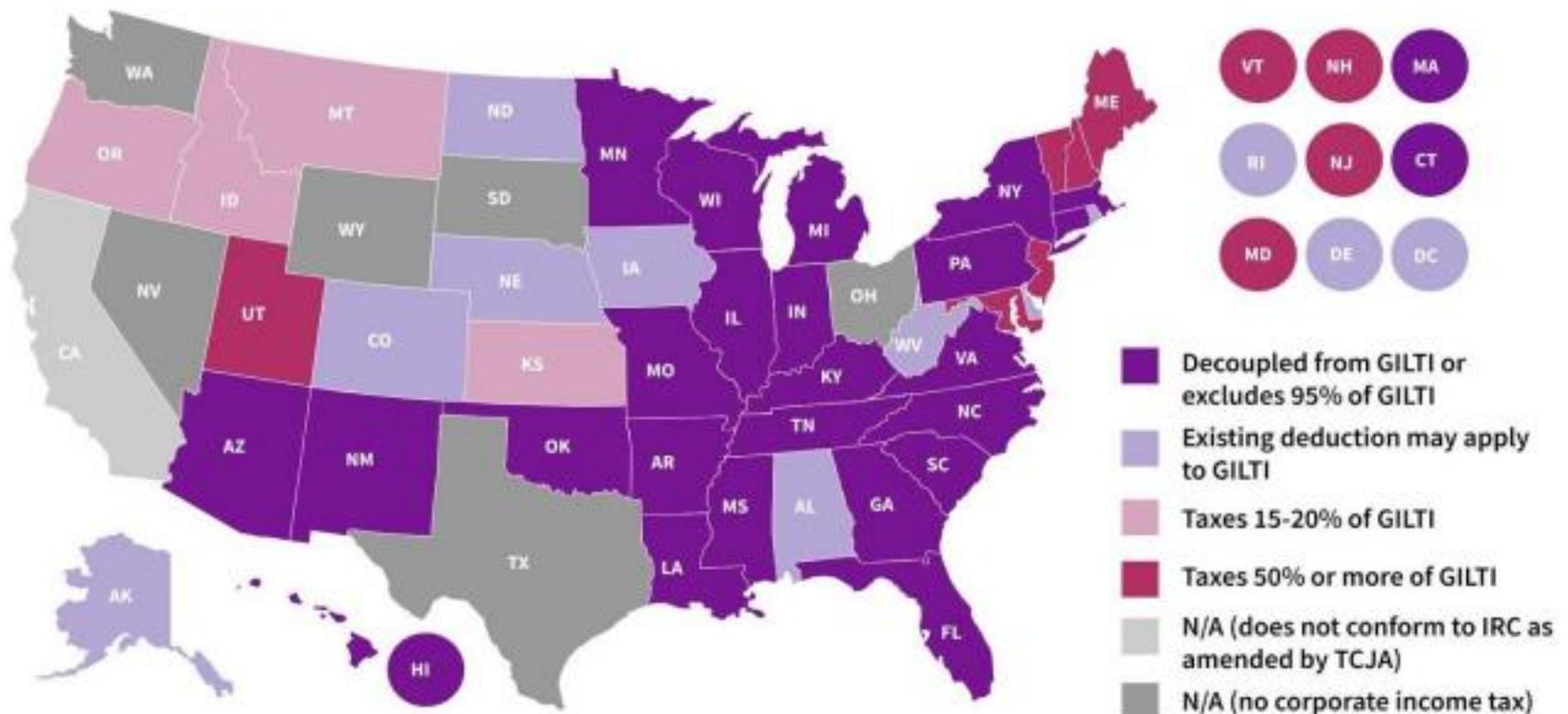
Decoupling

- Response to Tax Cuts Jobs Act
- Last year, gave up repatriation, retroactivity
- Change in interpretation on taxing GILTI, Kansas now ***extreme outlier***
- 2021 proposal will:
 - Decouple from GILTI
 - Decouple from 163(j)
 - Decouple from FDIC premiums
 - Decouple from 118 capital contributions
 - Individual income tax itemization

Decoupling

Global Intangible Low-Taxed Income (IRC § 951A)

Nearly half of states have either decoupled from GILTI or exclude 95 percent of GILTI from the state tax base (dark purple on the map below). Only six states explicitly tax GILTI (red on the map below). At the federal level, taxation of GILTI is supposed to reach only that income that is attributable to “low-tax” foreign jurisdictions; this is accomplished by use of foreign tax credits. Kansas does not apply foreign tax credits, so conformity would result in taxing much more than income earned in low-tax jurisdictions. Decoupling from IRC section 951A or providing a clear 100% deduction avoids significant apportionment complexity and potential disputes.



Property Taxes

- Truth in Taxation
- BOTA/Appraiser reforms

Marketplace Fairness

Remote Sales Tax Collection



MAP LEGEND

-  No State Sales Tax
-  Collection Required
-  Collection Not Required

Marketplace Fairness

- August 2019 KDOR issued rule requiring remote sellers to register and remit sales tax into the state.
- No de minimus threshold was established in this rule, which is a requirement according to the Wayfair decision.
- Attorney General Schmidt issued a nonbinding legal opinion on Sept. 30, 2019, that DOR does not have the authority based on existing statute to implement this rule.

Marketplace Fairness

- To provide certainty for remote sellers and marketplace facilitators, we would encourage the legislature to pass legislation in 2021 to level playing field between online only and brick and mortar stores.
- NCSL adopted model legislation for states to consider in late 2019.

Unemployment Insurance

- As of November 7, the UI trust fund has \$534M
- January 2020, trust fund balance of \$1.2B
- Focus shifts to building back trust fund
- FUTA & SUTA Tax Increases Coming
 - Best Actors: Potential 650.00% increase by 2025
 - 2020: \$42 per EE | 2025: \$315 per EE
 - Worst Actors: Potential 30.41% increase by 2025
 - 2020: \$1,036 per EE | 2025: \$1,351 per EE
- Employers may not be charged for COVID-19 related claims, but we will most certainly pay for these claims

Unemployment Insurance

2021 Legislative Reform Recommendations

- Expanded & MERIT Rated TF Solvency Adjustments
- Shared Work Program Enhancements
- Employer Chargeability Relief RE: Claimant Fraud
- Duration of Benefits – Realignment
- Kansas Unemployment Insurance System Modernization

Legal Reform

- In 2011, the US Chamber Institute for Legal Reform ranked Kansas as the 5th best legal climate in the nation.
- Today, Kansas ranks 32nd.
- Non-economic damage (excluding med-mal) struck in 2019.
- We would encourage the legislature to take proactive steps to strengthen our legal climate, especially since businesses face more uncertainty in potential exposure to liability.