

**Kansas Restaurant and Hospitality Association  
Opposition Testimony  
Senate Bill 196  
Scott J. Schneider J.D.  
Senate Tax  
Thursday, February 20, 2020**



Chair and members of the committee, the Kansas Restaurant and Hospitality Association support Senate Bill 196. We would like special attention paid to an error made in the 2017 federal tax reform bill and for Kansas to adopt the intended 15 year schedule and not a 39 year schedule. The Internal Revenue Service recently publish Revenue Procedure 2019-08 which goes into some detail about how the terms, “qualified restaurant property, or qualified retail improvement property were created then not assigned a depreciation schedule.<sup>1</sup>

SB 196 requires all taxpayers claiming the Kansas expensing deduction to offset the costs of the expensing deductions claimed on the federal return with Section 179 of the Internal Revenue Code.

The 15-year restaurant depreciation (the tax recovery period for restaurant construction and restaurant building improvements) was enacted into law in 2015 as part of that year’s “tax extenders” bill (PATH Act), with strong support from both Republicans and Democrats and both the House and Senate.

When tax reform passed at the end of 2017, Congress combined restaurant and retail depreciation into one category called “qualified improvement property.”

Congress intended to assign the new category a 15-year depreciation period, which was current law for restaurant and retail depreciation before tax reform passed. However, due to a drafting error in the final tax reform bill, Congress never assigned 15-year depreciation for this new category. Thus, depreciation for restaurants defaults to a 39-year recovery period.

This error is already having a detrimental impact on restaurant investment, and it also blocks restaurants from taking advantage of bonus depreciation – the temporary 100 percent expensing for certain tangible business assets such as kitchen equipment, furnishings and other improvements.

While some restaurants want to embrace fond memories of days gone by, no one wants to eat in a restaurant who replaces their equipment on a 39 year schedule. We urge this committee to pass a technical correction in SB 196 and to adopt the 15-year restaurant depreciation. Thank you for your consideration of our position.

<sup>i</sup> <https://www.irs.gov/pub/irs-drop/rp-19-08.pdf>