

## TESTIMONY OF PAUL FINNEY

Senate Committee on Assessment and Taxation

March 21, 2023

Madam Chairman, Mr. Vice-Chairman, members of the committee, ladies and gentlemen,

I am Paul Finney of Humboldt, and I am here today to speak in favor of Senate Bill 125.

I got caught in a tax trap not of my making.

In 2005 I sold farmland that I had mortgaged to pay back a bank when it called my note on a loan I used to restore a historic hotel in Humboldt.

The following year, 2006, the hotel sold at a substantial loss, enough to offset my capital gains on the 2005 sale of farms. On my federal return, I was able to carry back the 2006 loss on the sale of the hotel, resulting in a large refund of taxes paid.

I was unable to do this on my Kansas return as the legislature had prohibited loss carrybacks some years before no doubt when the state was short of money. The law at the time provided that the loss could be carried forward ten years, and if not used up to offset tax liabilities, could be refunded in the tenth year.

However in the 2012 tax bill which was supposed to be a tax reduction, you repealed the section allowing the loss carry forward refund after ten years. So my involuntary loan became an involuntary gift.

I had inherited the farmland from my grandfather. He left it to his daughter's (my mother's) unborn children in what is sometimes called a generation-skipping trust.

My grandfather died in 1931 and, at that time, the farmland was worth about \$5 per acre, the figure I used on my tax returns. So the capital gain, though completely due to inflation, was substantial—the difference between the approximately \$ 1000 per acre for which I sold it and the approximately \$5 per acre that it was worth in 1931 when Grandfather died.

A lot of people would have used the value of the land at the time of my mother's death in 1994. However, she never really owned the land, so I did what

I felt to be the honest thing and used the \$5 per acre figure.

Had I used the 1994 value, there would not have been a capital gain of much, and I wouldn't have this problem.

Likewise, this matter would have resolved itself if the legislature hadn't, in the 2012 tax bill, repealed the provision for a refund after ten years.

For that reason, I ask you to please enact SB 125.

see also addendum ***Ad Astra Per Aspera***