



**Senate Committee on Assessment and Taxation
Neutral Testimony on Senate Bill 546
Presented by Eric Stafford, VP of Government Affairs, Kansas Chamber**

Tuesday, March 12, 2024

Madam Chair and members of the committee, my name is Eric Stafford, Vice President of Government Affairs for the Kansas Chamber. The Kansas Chamber represents small, medium and large-sized businesses across the state, advocating for policies which improve the economic climate in Kansas. We appreciate the opportunity to provide neutral testimony on Senate Bill 546, which proposes to eliminate HPIP and PEAK, along with several other credits, to lower the corporate income tax rate 0.75%.

Our feedback when we sent out a request for input has been mixed on this proposal. Some have not utilized HPIP and would benefit from the rate reduction. Others have outstanding HPIP credits and are concerned those would go away, which we explained this is prospective only. We've received feedback from members that those programs have been beneficial in attracting businesses to the state, and others saying lower rates with no incentives.

Interestingly, in January as we've worked with tax attorneys on our single-factor apportionment legislation, we started asking questions on how we can modify HPIP to lower the corporate income tax rate. Our thought was Kansas had \$700-800 million in HPIP credits on the books, and according to those attorneys, at best half of them will ever be claimed due to businesses operating at a loss and not being able to claim credits over the 16-year period of the program. While those credits can be sold or transferred partially, there still remains a large liability on the state books that will never be realized. As we've researched, we found the November Post Audit report showing the state actually has more than \$900 million in outstanding HPIP credits.

We started asking our tax attorneys those questions because our thought was to modify HPIP in a way that we could take half of that money and use it for a reduction in the corporate income tax rate, ideally down to 4% which would be tied for the second lowest rate in the nation with Missouri (North Carolina at 2.5% is the lowest). However, this will take some time to research and gather input from our members, tax attorneys, accountants and the department of commerce on how we can proceed without impacting those able to claim outstanding credits.

We do believe HPIP and PEAK provide good value in making Kansas attractive for investment and our preference would be to modify, not fully eliminate the programs. We would ask for either an interim, or for legislators and other interested parties to join us in discussions this summer on how best to attack this issue for 2025. We will be forming our own internal task group on this topic. In closing, we appreciate the opportunity to testify as a neutral party on Senate Bill 546, and I'd be happy to answer questions at the appropriate time.