



**House Committee on Taxation
Testimony in Support of House Bill 2490
Presented by Eric Stafford, Vice President of Government Affairs**

Monday, February 10, 2020

Mister Chairman and members of the committee, my name is Eric Stafford, Vice President of Government Affairs for the Kansas Chamber. The Kansas Chamber appreciates the opportunity to testify in support of House Bill 2490 which amends state law regarding the net operating loss (NOL) carryforward standard.

Prior to the passage of the tax cuts and jobs act (TCJA) in December 2017, the federal standard allowed businesses a 20-year carryforward period while Kansas law only allows for 10 years. This discrepancy was an area where the Tax Foundation noted as a reason the Kansas corporate tax climate was uncompetitive compared to other states and is another recommendation from our Kansas Modernization report of the Kansas tax code.

With the passage of TCJA, that federal standard now allows for an indefinite carryforward period, but at 80% of taxable income rather than the full amount. Kansas' law remains unchanged at the 10-year standard. HB 2490 would change Kansas law to a 20-year standard limited to 80% of taxable income or the aggregate Kansas net operating loss carryover to such year, whichever is less.

According to the Tax Foundation's report, "The state should explore transitioning to a 20-year carryforward or aligning with the new federal tax law, especially in light of the additional revenues the state generates due to the broader tax base from federal tax reform....A more equitable treatment of net operating losses will make the state more attractive for business and would curtail the inequitable and counterproductive treatment of employers with longer business cycles"

We appreciate the opportunity to testify in support of House Bill 2490, and I am happy to answer any questions at the appropriate time.