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Representative Steven Johnson, Chair
Representative Les Mason, Vice Chair
Representative Jim Gartner, Ranking Minority Member
Kansas Legislature, House Committee on Taxation

Re: In Support of H.B. 2726 - Extending Kansas Corporate Tax Return Due Dates

Dear Chair Johnson, Vice Chair Mason, Ranking Minority Member Gartner, and Members of the Committee:

On behalf of the Council On State Taxation (COST), I am writing in support of H.B. 2726, which will both ease compliance for corporate taxpayers and reduce administrative burdens on the Kansas Department of Revenue. Specifically, H.B. 2726 provides corporate taxpayers one additional month after the newly revised federal extended filing deadline to file their Kansas corporate income tax returns. Currently, the new federal extended filing deadline coincides with the Kansas filing deadline. COST urges the Committee to approve this legislation, which will allow corporate taxpayers to file more accurate corporate income tax returns with the State.

About COST

COST is a non-profit trade association based in Washington, DC. COST was formed in 1969 as an advisory committee to the Council of State Chambers of Commerce and today has an independent membership of approximately 550 major corporations engaged in interstate and international business, many of which directly do business in Kansas. COST's objective is to preserve and promote the equitable and non-discriminatory state and local taxation of multijurisdictional business entities.

Fair, Efficient, and Customer-Focused Tax Administration

The COST Board of Directors has adopted a formal policy statement outlining fair, efficient, and customer-focused tax administration. Regarding the timing of the state corporate tax return filing, the policy statement provides:

The state's corporate income/franchise tax return due date should be at least 30 days after the federal tax return due date. Further, the state's corporate income/franchise tax return due date should be automatically extended with the granting of a federal extension. Extending state due dates assists taxpayers in their efforts to file correct returns based on complete federal return information. Although corporate taxpayers often file a single consolidated federal return, the adjustments necessary to generate the multitude of state tax returns required are complex and time-consuming. To ease administrative burdens, an automatic state extension should only require attaching a copy of the federal extension with the state return to qualify.¹

¹ COST's policy statement on Fair, Efficient, and Customer-Focused Administration is available at: <https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-policy-positions/fair-efficient-and-customer-focused-tax-administration.pdf>.

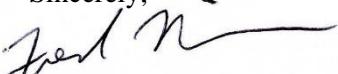
H.B. 2726 is an important part of fair, efficient and customer-focused tax administration. Because state returns are based on federal returns and cannot in practice be completed until the federal return has been filed, COST, the American Institute of CPAs (AICPA), and the Tax Executives Institute (TEI) for the last two years have asked state tax administrators in states where state corporate tax filing deadlines coincide with the federal extended return deadline to provide *penalty relief* for late return filing (but not late payment) as long as returns are filed within one month of the federal due date. This issue has percolated since the federal government for FY 2017 changed its extended federal corporate filing deadline to October 15, which coincides with most extended *state* corporate return due dates. The issue is particularly problematic given the complexity and lack of state and federal guidance surrounding state conformity to the federal Tax Cuts and Jobs Act of 2017.

H.B. 2726 provides a permanent fix to this recurring issue by simply extending the Kansas filing deadline for corporate returns to at least one month after the federal extended deadline. Making this change would both enhance the accuracy of state returns filed by taxpayers and ease the administrative burdens imposed on tax administrators by reducing the number of amended returns filed due to the concurrent federal and state filing deadlines.

Conclusion

Enactment of H.B. 2726 will greatly improve Kansas' national reputation for fair, efficient and customer-focused tax administration. We stand ready to assist you in your efforts to enact this important measure.

Sincerely,



Fredrick J. Nicely
Senior Tax Counsel

cc: COST Board of Directors

Douglas L. Lindholm, COST President & Executive Director