



January 21, 2020

Testimony Regarding SB 259

Senate Committee on Financial Institutions and Insurance

Chairman Olson and Members of the Senate Committee on Financial Institutions and Insurance,

Thank you for the opportunity to appear before the committee today and provide you with the perspective of the Community Bankers Association of Kansas (CBA) regarding SB 259 and why with no reservations, we support the bill.

My name is Shawn Mitchell and I am the President and Chief Executive Officer of the CBA. I started my banking career in 1995 and worked in three Kansas financial institutions before becoming CBA's CEO in 2009. CBA is a statewide association formed in 1978 of locally owned and operated banks bound together by the shared philosophy that a community bank can best serve its local community. CBA's membership is limited to community banks (in contrast to accepting the large regional and nationally based banks into membership) allowing our policy engagement to solely focus on and help community banks in Kansas.

Kansas Community Banks and our customers face unending threats:

- Slowing economic growth but also stagnant rural community growth and investment.
- Agricultural price uncertainty and instability due to the regular cyclical nature of the agricultural economy, but also as a result of tariff and trade conflicts.
- Depressed oil and natural gas markets.
- Continued negative demographic trends in rural Kansas.
- Business banking and lending (Wal-Mart, Amazon, Apple)
- Competition for Farm Service Credit—federal government subsidized financial services.
- Bank employee hiring and retention issues, increased operating costs, and regulatory burden since the 2008 economic collapse due to no fault of our local Kansas chartered community banks.

Particularly in less urban areas of Kansas, all these issues are compounded by our inequitable taxation compared to our competitors. For the benefit of individuals and business customers the time has come to rectify this tax bias favoring governmentally supported institutions and non-for profit credit unions that have become indistinguishable from tax paying community banks.

The logo for the Community Bankers Association of Kansas (CBA) features the letters "CBA" in a blue serif font, positioned above a stylized yellow and blue wave graphic.

Community Bankers
Association of Kansas

One Mission. Community Banks.®

The large regional and national banks have chosen to withdraw from most of our Kansas counties leaving only community banks to serve that population, simply look at how Bank of America just recently chose to abandon its branches in Topeka, which is not exactly rural. Credit unions are primarily in the urban centers of our state. There are a handful of exceptions, but not many. Farm credit has a few locations throughout the State, but they only offer lending services, they are not insured depository institutions. What this means is that in many Kansas communities our community banks are the only financial services providers that have chosen to live in, serve, and invest in those communities.

SB 259 is only a partial deduction of the privilege tax, not a full out repeal, but it is still significant for our struggling economy especially our rural areas. Kansas banks will still pay privilege tax on other loan interest income, investment income, fees, etc. Elimination of part of the privilege tax is a significant issue for our Kansas banks, allowing them to lower loan rates, invest more back into our Kansas communities, and help keep our rural areas alive. The large regional and national banks will see their taxation lowered as well. However, what would likely amount to a rounding error for a global institution is very significant for our Kansas community banks. In no way could it possibly be construed that enactment of SB 259 would harm any credit union, farm credit, or other financial provider. The State will see a small decline in tax revenue, but consumers in our states struggling agricultural sector and business communities will profit, allowing them to invest back into their businesses and stabilize. If our farmers, ranchers, rural areas, and business thrive, Kansas prospers.

Without reservation, CBA supports SB 259 to promote tax equity and fairness for consumers by lessening the tax burden levied only on our Kansas community banks. This legislation is extremely important and significant to our CBA members and the communities that they serve. We urge your support for this bill and respectfully request that this committee recommend favorably the passage of SB 259.

I am happy to stand for questions at the appropriate time.

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