

Kansas 2017 Legislative Changes

**INCOME TAX RATES
SB 30
NOTICE 17-02
EFFECTIVE TAX YEAR 2017**

TY 2017 Income Tax Rates		
Married Filing Joint		
\$0 - \$30,000	(2016 2.7%)	2.90%
\$30,001 - \$60,000	(2016 4.6%)	4.90%
\$60,001 and over		5.20%
Single, Head of Household, or Married Filing Separate		
\$0 - \$15,000	(2016 2.7%)	2.90%
\$15,001 - \$30,000	(2016 4.6%)	4.90%
\$30,001 and over		5.20%

TY 2018 Income Tax Rates	
<i>(and all tax years thereafter)</i>	
Married Filing Joint	
\$0 - \$30,000	3.10%
\$30,001 - \$60,000	5.25%
\$60,001 and over	5.70%
Single, Head of Household, or Married Filing Separate	
\$0 - \$15,000	3.10%
\$15,001 - \$30,000	5.25%
\$30,001 and over	5.70%

No taxpayer shall be assessed penalties and interest from the underpayment of taxes due to changes in SB30 that became law on July 1, 2017 so long as such underpayment is rectified on or before April 17, 2018.

SB 30 Sec. 4. K.S.A. 2016 Supp. 79-32,110 is hereby amended to read as follows: 79-32,110. (a)Resident Individuals. Except as otherwise provided by K.S.A. 79-3220(a), and amendments thereto, a tax is hereby imposed upon the Kansas taxable income of every resident individual, which tax shall be computed in accordance with the following tax schedules:

a(1) Married individuals filing joint returns.

(E) **For tax year 2017:** If the taxable income is:
The tax is: Not over \$30,000.....**2.9%** of Kansas taxable income
Over \$30,000 but not over \$60,000\$870 plus **4.9%** of excess over \$30,000
Over \$60,000.....\$2,340 plus **5.2%** of excess over \$60,000

(F) **For tax year 2018, and all tax years thereafter:** If the taxable income is:
If the taxable income is: The tax is:
Not over \$30,000.....**3.1%** of Kansas taxable income
Over \$30,000 but not over \$60,000\$930 plus **5.25%** of excess over \$30,000
Over \$60,000\$2,505 plus **5.7%** of excess over \$60,000

a(2) All other individuals

(E) **For tax year 2017, and all tax years thereafter 2017:** If the taxable income is: The tax is:
Not over \$15,000.....**2.9%** of Kansas taxable income
Over \$15,000 but not over \$30,000\$435 plus **4.9%** of excess over \$15,000
Over \$30,000.....\$1,170 plus **5.2%** of excess over \$30,000

(F) **For tax year 2018, and all tax years thereafter:** If the taxable income is:
The tax is: Not over \$15,000.....**3.1%** of Kansas taxable income
Over \$15,000 but not over \$30,000.....\$465 plus **5.25%** of excess over \$15,000
Over \$30,000.....\$1,252.50 plus **5.7%** of excess over \$30,000

b(f) No taxpayer shall be assessed penalties and interest arising from the underpayment of taxes due to changes to the rates in subsection (a) that became law on July 1, 2017, so long as such underpayment is rectified on or before April 17, 2018.

LOW INCOME TAX EXCLUSION

SB 30

NOTICE 17-04

EFFECTIVE TAX YEAR 2017

Tax Year 2017

- ❖ No Tax Liability for low income individuals

Married Filing Joint

- Taxable Income - \$0 - \$12,500

All other Individuals

- Taxable Income - \$0 - \$5,000

Tax Year 2018

(and all tax years thereafter)

- ❖ No Tax Liability for low income individuals

Married Filing Joint

- Taxable Income - \$0 - \$5,000

All other Individuals

- Taxable Income - \$0 - \$2,500

***** (A Kansas Income Tax Return (K-40) must still be filed to claim exclusion) *****


SB 30 (e) Notwithstanding the provisions of subsections (a) and (b),: (1) For tax year years 2016, and 2017, married individuals filing joint returns with taxable income of \$12,500 or less, and all other individuals with taxable income of \$5,000 or less, shall have a tax liability of zero; and (2) for tax year 2018, and all tax years thereafter, married individuals filing joint returns with taxable income of \$5,000 or less, and all other individuals with taxable income of \$2,500 or less, shall have a tax liability of zero.

Income Tax Itemized Deductions

2017 SB 30

Notice 17-06

Effective Tax Year 2018

<u>Allowable Itemized Deductions</u>	Tax Year 			
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
❖ Qualified Charitable Contributions <i>(as allowed in section 170 of the federal internal revenue code)</i>	100%	100%	100%	100%
❖ Qualified Residence Interest <i>(as provided in section 163(h) of the federal internal revenue code)</i>	50%	50%	75%	100%
❖ Taxes on Real and Personal Property <i>(as provided in section 164(a) of the federal internal revenue code)</i>	50%	50%	75%	100%
❖ Expenses for Medical Care <i>(as allowable as deductions in section 213 of the federal internal revenue code)</i>	0%	50%	75%	100%

- If you did not itemize your deductions on your federal return, you must take the standard deduction on your Kansas return.
- If you itemized on your federal return, you may either itemize or take the standard deduction on your Kansas return, whichever is to your advantage.
- If you are married and file separate returns, you and your spouse must use the same method of claiming deductions – if one of you itemize, the other must also itemize.

SB 30 Sec. 6. K.S.A. 2016 Supp. 79-32,120 is hereby amended to read as follows: 79-32,120. (a) **(1)** If federal taxable income of an individual is determined by itemizing deductions from such individual's federal adjusted gross income, such individual may elect to deduct the Kansas itemized deduction in lieu of the Kansas standard deduction. **(4)** For the tax years commencing on and after January 1, 2015, and ending before January 1, 2018, the Kansas itemized deduction of an individual means the following deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section: (A) 100% of charitable contributions that qualify as charitable contributions allowable as deductions in section 170 of the federal internal revenue code; (B) 50% of the amount of qualified residence interest as provided in section 163(h) of the federal internal revenue code; and (C) 50% of the amount of taxes on real and personal property as provided in section 164(a) of the federal internal revenue code. **(5)** For the tax year commencing on and after January 1, 2018, and ending before January 1, 2019, the Kansas itemized deduction of an individual means the following deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section: (A) 100% of charitable contributions that qualify as charitable contributions allowable as deductions in section 170 of the federal internal revenue code; (B) 50% of expenses for medical care allowable as deductions in section 213 of the federal internal revenue code; (C) 50% of the amount of qualified residence interest as provided in section 163(h) of the federal internal revenue code; and (D) 50% of the amount of taxes on real and personal property as provided in section 164(a) of the federal internal revenue code. **(6)** For the tax year commencing on and after January 1, 2019, and ending before January 1, 2020, the Kansas itemized deduction of an individual means the following deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section: (A) 100% of charitable contributions that qualify as charitable contributions allowable as deductions in section 170 of the federal internal revenue code; (B) 75% of expenses for medical care allowable as deductions in section 213 of the federal internal revenue code; (C) 75% of the amount of qualified residence interest as provided in section 163(h) of the federal internal revenue code; and (D) 75% of the amount of taxes on real and personal property as provided in section 164(a) of the federal internal revenue code. **(7)** For the tax years commencing on and after January 1, 2020, the Kansas itemized deduction of an individual means the following deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section: (A) 100% of charitable contributions that qualify as charitable contributions allowable as deductions in section 170 of the federal internal revenue code; (B) 100% of expenses for medical care allowable as deductions in section 213 of the federal internal revenue code; (C) 100% of the amount of qualified residence interest as provided in section 163(h) of the federal internal revenue code; and (D) 100% of the amount of taxes on real and personal property as provided in section 164(a) of the federal internal revenue code. (b) The total amount of deductions from federal adjusted gross income shall be reduced by the total amount of income taxes imposed by or paid to this state or any other taxing jurisdiction to the extent that the same are deducted in determining the federal itemized deductions and by the amount of all depreciation deductions claimed for any real or tangible personal property upon which the deduction allowed by K.S.A.2016 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-32,255 or 79-32,256, and amendments thereto, is or has been claimed.

Child and Dependent Care Credit Restored

2017 SB 30

Notice 17-07

Effective Tax Year 2018

- ❖ Child and Dependent Care Tax Credit is restored for individual income filers' effective tax year 2018. The credit is the following percentage of the Federal Child and Dependent Care Credit under 26 U.S.C. § 21:

- **Tax Year 2018 - 12.50%**
- **Tax Year 2019 - 18.75%**
- **Tax Year 2020 - 25.00%** *(and all tax years thereafter)*

SB30 New Section 1. (a) There shall be allowed as a credit against the tax liability of a resident individual imposed under the Kansas income tax act an amount equal to 12.5% for tax year 2018; an amount equal to 18.75% for tax year 2019; and an amount equal to 25% for tax year 2020, and all tax years thereafter, of the amount of the credit allowed against such taxpayer's federal income tax liability pursuant to 26 U.S.C. § 21 for the taxable year in which such credit was claimed against the taxpayer's federal income tax liability. (b) The credit allowed by subsection (a) shall not exceed the amount of the tax imposed by K.S.A. 79-32,110, and amendments thereto, reduced by the sum of any other credits allowable pursuant to law. (c) No credit provided under this section shall be allowed to any individual who fails to provide a valid social security number issued by the social security administration, to such individual, the individual's spouse and every dependent of the individual.

Low Income Student Scholarship Act Tax Credit (K-70)

2017 SB 19

Notice 17-08

Effective Tax Year 2017

(Individuals accepted for tax credit on or after July 1, 2017)

Limits:

- ❖ Education Scholarship not to exceed **\$8000** per student.
- ❖ Maximum contribution for the TCLISS for any taxpayer is **\$500,000** for any tax year.
- ❖ Total amount TCLISS credit allowed per tax year is **\$10 million**.

Credit:

- ❖ **70%** of contributions for qualified scholarships. Available to:
 - Individual Income tax (*Individuals accepted for tax credit on or after July 1, 2017*). **New for 2017**
 - Corporate income.
 - Premium tax.
 - Privilege tax.
- ❖ **Nonrefundable** - The credit will be claimed using the credit schedule **K-70**. Credit applies toward the taxpayer's tax liability during the tax year in which the contribution was made. Credit may be carried forward until used.
- ❖ **Add-back modification** to Federal Adjusted Gross Income for the amount of charitable contribution deduction claimed on the federal return for any contribution or gift made to a scholarship granting organization to the extent the same is claimed as the basis for the low income students scholarship program tax credit allowed.

Definitions:

- ❖ **Scholarship Granting Organizations (SGOs)** - An organization that complies with the requirements of this program and provides educational scholarships to eligible students or to qualified schools in which parents have enrolled eligible students. "School district" or "district" means any unified school district organized and operating under the laws of this state.
- ❖ **Eligible Student** - A child who qualifies as an at-risk pupil.
 - "At-risk pupil" – Eligible for free lunch under the National School Lunch Act and is enrolled in a school district that maintains an approved at-risk student assistance program.
 - "At-risk student" Must be enrolled and be in attendance full time.
 - Cannot be over the age of 19 years of age.
 - Must be attending a public school.
 - Must reside in Kansas while receiving a scholarship and be enrolled in a public school in the year prior to receiving the scholarship or be eligible to be enrolled in a public school, if under the age of 6.
- ❖ **Public School** - A school identified by KSBE as one of the lowest 100 performing schools with respect to student achievement.
- ❖ **"Qualified school"** - changed to require accreditation on and after July 1, 2020. Accreditation must be by KSBE or a KSBE- recognized national or regional accrediting agency.

SB19 Sec. 95. K.S.A. 2016 Supp. 72-99a02 is hereby amended to read as follows: 72-99a02. As used in the tax credit for low income students scholarship program act: (k) "School year" shall have the meaning ascribed thereto in *section 4*, and amendments thereto. **Sec. 96.** On and after July 1, 2018, K.S.A. 2016 Supp. 72-99a02, as amended by section 95 of this act, is hereby amended to read as follows: 72-99a02. As used in the tax credit for low income students scholarship program act: (d) "Eligible student" means a child who: **(1) (A) Is an at-risk student, as defined in section 4, and amendments thereto, and who is attending a public school;** or (B) has been eligible to receive an educational scholarship under this program and has not graduated from high school or reached 21 years of age; (g) "Public school" means a school that **is operated by a school district, and identified by the state board as one of the lowest 100 performing schools with respect to student achievement among all schools operated by school districts for the current school year.** (h) "Qualified school" means any nonpublic school that provides education to elementary or secondary students, has notified the state board of its intention to participate in the program and complies with the requirements of the program. **On and after July 1, 2020, a qualified school shall be accredited by the state board or a national or regional accrediting agency that is recognized by the state board for the purpose of satisfying the teaching performance assessment for professional licensure.** **Sec. 97.** K.S.A. 2016 Supp. 72-99a07 is hereby amended to read as follows: 72-99a07. (a) (1) there shall be allowed a credit against the corporate income tax liability imposed upon a taxpayer pursuant to the Kansas income tax act, the privilege tax liability imposed upon a taxpayer pursuant to the privilege tax imposed upon any national banking association, state bank, trust company or savings and loan association pursuant to

SB19 Sec. 95. Cont.: article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, and the premium tax liability imposed upon a taxpayer pursuant to the premiums tax and privilege fees imposed upon an insurance company pursuant to K.S.A. 40-252, and amendments thereto, for tax years commencing after December 31, 2014, *and ending before January 1, 2017*, an amount equal to 70% of the amount contributed to a scholarship granting organization authorized pursuant to K.S.A. 2016 Supp. 72-99a01 et seq., and amendments thereto. (NEW) (2) *There shall be allowed a credit against the tax liability imposed upon a taxpayer pursuant to the Kansas income tax act, the privilege tax liability imposed upon a taxpayer pursuant to the privilege tax imposed upon any national banking association, state bank, trust company or savings and loan association pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, and the premium tax liability imposed upon a taxpayer pursuant to the premiums tax and privilege fees imposed upon an insurance company pursuant to K.S.A. 40-252, and amendments thereto, for tax years commencing after December 31, 2016, an amount equal to 70% of the amount contributed to a scholarship granting organization authorized pursuant to K.S.A. 2016 Supp. 72-99a01 et seq., and amendments thereto. In no event shall the total amount of contributions for any taxpayer allowed under this subsection exceed \$500,000 for any tax year.*

Repeal of Certain Non-Wage Business Income Exclusions

2017 SB 30

Notice 17-03

Effective Tax Year 2017

The legislature repealed the exemption for certain non-wage business income reported by pass-through entities and sole proprietorships on federal Schedules C, E, and F and lines 12, 17, and 18 of federal form 1040 by eliminating the add-back of certain business losses and subtraction modifications for specified business profits that the taxpayer reported for federal income tax purposes.

The following Subtraction Modifications have been repealed:

- ❖ Net profit from business as reported on line 12 of form 1040 from federal schedule C.
- ❖ Net income from rental real estate, royalties, partnerships, S corps, estates, trusts, residual interest in real estate mortgage investment conduits and net farm rental, as reported on line 17 of Form 1040 from federal schedule E.
- ❖ Net farm profit as reported on line 18 of Form 1040 from federal schedule F.
- ❖ Net gain from the qualified sale of certain livestock held for draft, breeding, dairy or sporting purposes.
- ❖ Net gain from the sale from Christmas trees grown in Kansas.

The following Addition Modifications have been repealed:

- ❖ Business loss from federal schedule C and included on line 12 of federal form 1040.
- ❖ Loss from rental real estate, royalties, partnerships, S Corps, estates, trusts, residual interest in real estate mortgage investment conduits and net farm rental from federal schedule E and included on line 17 of federal form 1040.
- ❖ Farm loss from federal schedule F and included on line 18 of the federal form 1040.
- ❖ Deduction for Self-employment taxes under IRC §164(f).
- ❖ Deductions for pension, profit sharing, & annuity plans of self-employed individuals under IRC §62(a)(6).
- ❖ Deductions for health insurance under IRC §162(l).
- ❖ Domestic production activities as defined under IRC §199.

SB30 Sec. 5. K.S.A. 2016 Supp. 79-32,117 is hereby amended to read as follows: 79-32,117. (a) The Kansas adjusted gross income of an individual means such individual's federal adjusted gross income for the taxable year, with the modifications specified in this section.

(b) There shall be added to federal adjusted gross income: (xix) For taxable years beginning after December 31, 2012, *and ending before January 1, 2017*, the amount of any: (1) Loss from business as determined under the federal internal revenue code and reported from schedule C and on line 12 of the taxpayer's form 1040 federal individual income tax return; (2) loss from rental real estate, royalties, partnerships, S corporations, except those with wholly owned subsidiaries subject to the Kansas privilege tax, estates, trusts, residual interest in real estate mortgage investment conduits and net farm rental as determined under the federal internal revenue code and reported from schedule E and on line 17 of the taxpayer's form 1040 federal individual income tax return; and (3) farm loss as determined under the federal internal revenue code and reported from schedule F and on line 18 of the taxpayer's form 1040 federal income tax return; all to the extent deducted or subtracted in determining the taxpayer's federal adjusted gross income. For purposes of this subsection, references to the federal form 1040 and federal schedule C, schedule E, and schedule F, shall be to such form and schedules as they existed for tax year 2011, and as revised thereafter by the internal revenue service. **(xx)** For taxable years beginning after SB30

Sec. 5. cont.: December 31, 2012, and ending before January 1, 2017, the amount of any deduction for self-employment taxes under section 164(f) of the federal internal revenue code as in effect on January 1, 2012, and amendments thereto, in determining the federal adjusted gross income of an individual taxpayer, to the extent the deduction is attributable to income reported on schedule C, E or F and on line 12, 17 or 18 of the taxpayer's form 1040 federal income tax return. **(xxi)** For taxable years beginning after December 31, 2012, and ending before January 1, 2017, the amount of any deduction for pension, profit sharing, and annuity plans of self-employed individuals under section 62(a) (6) of the federal internal revenue code as in effect on January 1, 2012, and amendments thereto, in determining the federal adjusted gross income of an individual taxpayer. **(xxii)** For taxable years beginning after December 31, 2012, and ending before January 1, 2017, the amount of any deduction for health insurance under section 162(l) of the federal internal revenue code as in effect on January 1, 2012, and amendments thereto, in determining the federal adjusted gross income of an individual taxpayer. **(xxiii)** For all taxable years beginning after December 31, 2012, and ending before January 1, 2017, the amount of any deduction for domestic production activities under section 199 of the federal internal revenue code as in effect on January 1, 2012, and amendments thereto, in determining the federal adjusted gross income of an individual taxpayer. **(xxiv)** For taxable years commencing after December 31, 2013, that portion of the amount of any expenditure deduction claimed in determining federal adjusted gross income for expenses paid for medical care of the taxpayer or the taxpayer's spouse or dependents when such expenses were paid or incurred for an abortion, or for a health benefit plan, as defined in K.S.A. 2016 Supp. 65-6731, and amendments thereto, for the purchase of an optional rider for coverage of abortion in accordance with K.S.A. 2016 Supp. 40-2,190, and amendments thereto, to the extent that such taxes and assessments are claimed as an itemized deduction for federal income tax purposes. **(xiv)** For all taxable years commencing after December 31, 1996, that portion of any income of a bank organized under the laws of this state or any other state, a national banking association organized under the laws of the United States, an association organized under the savings and loan code of this state or any other state, or a federal savings association organized under the laws of the United States, for which an election as an S corporation under subchapter S of the federal internal revenue code is in effect, which accrues to the taxpayer who is a stockholder of such corporation and which is not distributed to the stockholders as dividends of the corporation. For taxable years beginning after December 31, 2012, and ending before January 1, 2017, the amount of modification under this subsection shall exclude the portion of income or loss reported on schedule E and included on line 17 of the taxpayer's form 1040 federal individual income tax return. **(f) No taxpayer shall be assessed penalties and interest from the underpayment of taxes due to changes to this section that became law on July 1, 2017, so long as such underpayment is rectified on or before April 17, 2018.**

(c) There shall be subtracted from federal adjusted gross income:(xx) For taxable years beginning after December 31, 2012, and ending before January 1, 2017, the amount of any: (1) Net profit from business as determined under the federal internal revenue code and reported from schedule C and on line 12 of the taxpayer's form 1040 federal individual income tax return; (2) net income, not including guaranteed payments as defined in section 707(c) of the federal internal revenue code and as reported to the taxpayer from federal schedule K-1, (form 1065-B), in box 9, code F or as reported to the taxpayer from federal schedule K-1, (form 1065) in box 4, from rental real estate, royalties, partnerships, S corporations, estates, trusts, residual interest in real estate mortgage investment conduits and net farm rental as determined under the federal internal revenue code and reported from schedule E and on line 17 of the taxpayer's form 1040 federal individual income tax return; and (3) net farm profit as determined under the federal internal revenue code and reported from schedule F and on line 18 of the taxpayer's form 1040 federal income tax return; all to the extent included in the taxpayer's federal adjusted gross income. For purposes of this subsection, references to the federal form 1040 and federal schedule C, schedule E, and schedule F, shall be to such form and schedules as they existed for tax year 2011 and as revised thereafter by the internal revenue service. (c) There shall be subtracted from federal adjusted gross income: **(xxii)** For all taxable years beginning after December 31, 2012, and ending before January 1, 2017, the amount of net gain from the sale of: (1) Cattle and horses, regardless of age, held by the taxpayer for draft, breeding, dairy or sporting purposes, and held by such taxpayer for 24 months or more from the date of acquisition; and (2) other livestock, regardless of age, held by the taxpayer for draft, breeding, dairy or sporting purposes, and held by such taxpayer for 12 months or more from the date of acquisition. The subtraction from federal adjusted gross income shall be limited to the amount of the additions recognized under the provisions of subsection (b)(ix) attributable to the business in which the livestock sold had been used. As used in this paragraph, the term "livestock" shall not include poultry. **(xxiv)** For taxable years beginning after December 31, 2013, and ending before January 1, 2017, the net gain from the sale from Christmas trees grown in Kansas and held by the taxpayer for six years or more. (xiv) For all taxable years commencing after December 31, 1996, that portion of any income of a bank organized under the laws of this state or any other state, a national banking association organized under the laws of the United States, an association organized under the savings and loan code of this state or any other state, or a federal savings association organized under the laws of the United States, for which an election as an S corporation under subchapter S of the federal internal revenue code is in effect, which accrues to the taxpayer who is a stockholder of such corporation and which is not distributed to the stockholders as dividends of the corporation. For all taxable years beginning after December 31, 2012, and ending before January 1, 2017, the amount of modification under this subsection shall exclude the portion of income or loss reported on schedule E and included on line 17 of the taxpayer's form 1040 federal individual income tax return. **(f) No taxpayer shall be assessed penalties and interest from the underpayment of taxes due to changes to this section that became law on July 1, 2017, so long as such underpayment is rectified on or before April 17, 2018.**

Elimination of NOL Addition Modification for Individual, Partnership, S-Corp, LLC, & Other Pass-Through Entities

2017 SB 30

Notice 17-05

Effective Tax Year 2017

- ❖ Individual income tax filers will no longer “add back” the federal net operating loss (NOL) deduction to their federal adjusted gross income (FAGI) beginning in tax year 2017.
- ❖ There is not a subtraction modification or calculation for a Kansas individual income tax filer’s NOL. Start with FAGI. **(No CRF form!)**
- ❖ The manner in which prior year NOLs are treated has not changed. Only the requirement to add-back the amount of NOL claimed on the federal return. Beginning after December 31, 2016, an individual may not carry a prior year net operating loss forward to tax year 2013 or later years, or back to any earlier tax year.

SB30 Sec. 5. K.S.A. 2016 Supp. 79-32,117 is hereby amended to read as follows: 79-32,117. (a) The Kansas adjusted gross income of an individual means such individual’s federal adjusted gross income for the taxable year, with the modifications specified in this section. (b) There shall be **added** to federal adjusted gross income: (iii) the federal net operating loss deduction, except that the federal net operating loss deduction shall **not** be added to an **individual’s** federal adjusted gross income for tax years beginning after December 31, 2016.

Estimated Tax

2017 SB 30

Notice 17-09

Individuals Who Have Been Receiving the Non-Wage Business Income Exclusion Are Strongly Recommended to Begin Making Estimated Payments Immediately!

- ❖ The new amendments to the non-wage business income is retroactive to January 1, 2017.
- ❖ It is recommended to start making estimated payments as soon as possible to avoid a significant amount of unplanned tax due in April of 2018.
- ❖ An Increase in the normal amount estimated payment(s) is recommended in order to “catch-up” with the amount of tax had payments been made for the first two quarters of the 2017 tax year.
- ❖ Failure to make these estimated payments could result in having to pay a **significant** amount of income tax being due in April of 2018 when filing the 2017 income tax return.

Usually, failure to make estimated tax payments in a timely fashion will result in a penalty being imposed. However, this legislation specifically provides that a penalty will not be imposed if all of the tax that was underpaid as a result of changes made by the repeal of the non-wage business income and change in income tax rates for tax year 2017 are paid by April 17, 2018. This is the due date of the 2017 calendar year income tax returns. Section 4 of the Bill amends K.S.A. 79-32,117 by adding subsection (f) which states: - ***“(f) No taxpayer shall be assessed penalties and interest arising from the underpayment of taxes due To changes to the rates in subsection (a) that became law on July 1, 2017, so long as such underpayment is rectified on or before April 17, 2018.”***

Income Tax

2016 House Sub for SB 149

Effective Tax Year 2017

Local School District Contribution Program

- ❖ Effective for tax year 2017 new check-off donation on Kansas income tax return for Local School District Contribution Program ___\$10, ___\$25, ___\$50, \$___, or ___ entire refund to unified school district No. _____.
- ❖ The taxpayer may donate to the Local School District of their choice.

2016 House Sub for SB149 New Section 1. (a) For the tax years commencing after December 31, 2016, each Kansas state individual income tax return form shall contain a designation as follows:

Local School District Contribution Program. Check if you wish to donate, in addition to your tax liability, or designate from your refund, ___ \$10, ___ \$25, ___ \$50, ___ \$___, or entire refund to unified school district No. _____ .

(b) The director of taxation of the department of revenue shall determine annually the total amount designated for contribution to the local school district contribution program pursuant to subsection (a) and shall report such amount to the state treasurer who shall credit the entire amount thereof to the local school district contribution program checkoff fund which is hereby established in the state treasury. All moneys deposited in such fund shall be used for the purpose of financing education in the school district of the taxpayer's choice. In the case where donations are made pursuant to subsection (a), the director shall remit the entire amount thereof to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of such fund. All expenditures from such fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the state board of education. Such moneys shall be treated as a donation by the school district in accordance with K.S.A. 72-8210, and amendments thereto, and shall be reported as gifts for the purposes of the Kansas uniform financial and reporting act.

Withholding Due Date Change for KW-3, W-2, & 1099s

2017 HB 2212

Notice 17-10

Effective January 1, 2018

Due Date Change:

During the 2017 legislative session House Bill 2217 section 7 was passed requiring every employer, payer, person or organization deducting and withholding tax to prepare a for each employee or payee reporting the amount of wages or payments and withholding if any to the division of taxation on or before **January 31** of each year.

When: On or before **January 31st** of each year.

- This means tax year 2017 forms KW-3, W-2, and W-2G are due on or before January 31, 2018.

Who: Every employer, payer, person or organization deducting and withholding tax.

HB 2212 Sec. 7. K.S.A. 2016 Supp. 79-3299 is hereby amended to read as follows: 79-3299. (a) *Every employer, payer, person or organization deducting and withholding tax, on or before January 31 of each year, shall prepare a statement for each employee or payee on a form prescribed by the director stating the amount of wages or payments other than wages subject to Kansas income tax paid during*

HB 2212 Sec. 7 cont. *the preceding year, the total amount of tax withheld, if any, from such wages or payments other than wages by the employer, payer, person or organization pursuant to this act and such other information as may be prescribed by the director. One copy of such statement shall be filed by the employer, payer, person or organization with the division of taxation on or before **January 31** of each year. Except as otherwise provided, if the employer, payer, person or organization files statements which report such withholding information for 51 or more employees or payees, the statements shall be filed by electronic means. If filing such statements by electronic means would be a hardship for any such employer, payer, person or organization, the secretary may permit such statements to be filed other than by electronic means. Two copies of such statement shall be given to the employee or payee concerned, one of which will be filed by the employee or payee with the tax return required by this chapter.*

Withholding Tables

2017 SB 30

Notice 17-02

Effective January 1, 2018

- ❖ New Withholding tables, effective January 1, 2017 are based on the new income tax rates for TY 2018 since the new higher rates are effective for all of TY 2017 and were not implemented until mid-year. The higher 2018 rates should help most taxpayers “catch up” on their 2017 withholding.
- ❖ Kansas Department of Revenue does not send out new tables. The new tax tables are available on the Kansas Department of Revenue website **ksrevenue.org**.
- ❖ Normally individuals who have a balance on their Kansas income tax return of more than \$500 after all credits may be subject to an underpayment penalty. To avoid this, they may either make estimated tax payments, reduce the number of withholding allowances they are claiming on their Kansas K-4 withholding form, or request an additional amount of Kansas withholding on their Kansas K-4 withholding form. This legislation specifically provides that a penalty will not be imposed if all of the tax that was underpaid as a result of changes made by the repeal of the non-wage business income and change in income tax rates for tax year 2017 are paid by April 17, 2018. This is the due date of the 2017 calendar year income tax returns. Section 4 of the Bill amends K.S.A. 79-32,117 by adding subsection (f) which states:
 - *“(f) No taxpayer shall be assessed penalties and interest arising from the underpayment of taxes due to changes to the rates in subsection (a) that became law on July 1, 2017, so long as such underpayment is rectified on or before April 17, 2018.”*

Sales Tax, Filing Frequency Thresholds Changed

2017 HB 2212

Notice 17-11

Effective January 1, 2018

***** NEW for 2018 *****

Annual Tax Due	Filing Frequency	Return Due Date
\$0 — \$400 <i>(Until 2018) \$0 - \$80</i>	Annual	On or before January 25th of the following year.
\$400.01 — \$4,000 <i>(Until 2018) \$80.01 - \$3,200</i>	Quarterly	On or before the 25th of the month following the end of the calendar quarter— April 25, July 25, October 25, January 25.
\$4,000.01 — \$40,000 <i>(Until 2018) \$3,200.01 - \$32,000</i>	Monthly (Seasonal) ¹	On or before the 25th of the following month – (a March return is due by April 25).
\$40,000.01 and over <i>(Until 2018) \$32,000.01 and over</i>	Prepaid Monthly ²	First 15 days of the current month's liability and the remainder of the preceding month's liability is due on or before the 25th of the current month.
<p>1. If your business is seasonal, you will file monthly during the period of business operation. 2. The prepaid monthly filing status must report sales using the ST-36 form.</p>		

HB 2212 Sec. 9. On and after January 1, 2018, K.S.A. 2016 Supp. 79-3607 is hereby amended to read as follows: 79-3607. (a) Retailers shall make returns to the director at the times prescribed by this section in the manner prescribed by the director, including electronic filing, upon forms or format prescribed by the director stating: (1) The name and address of the retailer; (2) the total amount of gross sales of all tangible personal property and taxable services rendered by the retailer during the period for which the return is made; (3) the total amount received during the period for which the return is made on charge and time sales of tangible personal property made and taxable services rendered prior to the period for which the return is made; (4) deductions allowed by law from such total amount of gross sales and from total amount received during the period for which the return is made on such charge and time sales; (5) receipts during the period for which the return is made from the total amount of sales of tangible personal property and taxable services rendered during such period in the course of such business, after deductions allowed by law have been made; (6) receipts during the period for which the return is made from charge and time sales of tangible personal property made and taxable services rendered prior to such period in the course of such business, after deductions allowed by law have been made; (7) gross receipts during the period for which the return is made from sales of tangible personal property and taxable services rendered in the course of such business upon the basis of which the tax is imposed. The return shall include such other pertinent information as the director may require. In making such return, the retailer shall determine the market value of any consideration, other than money, received in connection with the sale of any tangible personal property in the course of the business and shall include such value in the return. Such value shall be subject to review and revision by the director as hereinafter provided. Refunds made by the retailer during the period for which the return is made on account of tangible personal property returned to the retailer shall be allowed as a deduction under subdivision *paragraph* (4) of this section in case the retailer has theretofore included the receipts from such sale in a return made by such retailer and paid taxes therein imposed by this act. The retailer shall, at the time of making such return, pay to the director the amount of tax herein imposed, except as otherwise provided in this section. The director may extend the time for making returns and paying the tax required by this act for any period not to exceed 60 days under such rules and regulations as the secretary of revenue may prescribe. When the total tax for which any retailer is liable under this act, does not exceed the sum of ~~\$80~~ \$400 in any calendar year, the retailer shall file an annual return on or before January 25 of the following year. When the total tax liability does not exceed ~~\$3,200~~ \$4,000 in any calendar year, the retailer shall file returns quarterly on or before the 25th day of the month following the end of each calendar quarter. When the total tax liability exceeds ~~\$3,200~~ \$4,000 in any calendar year, the retailer shall file a return for each month on or before the 25th day of the following month. When the total tax liability exceeds ~~\$32,000~~ \$40,000 in any calendar year, the retailer shall be required to pay the sales tax liability for the first 15 days of each month to the director on or before the 25th day of that month. Any such payment shall accompany the return filed for the preceding month. A retailer will be considered to have complied with the requirements to pay the first 15 days' liability for any month if, on or before the 25th day of that month, the retailer paid 90% of the liability for that fifteen-day period, or 50% of such retailer's liability in the immediate preceding calendar year for the same month as the month in which the fifteen-day period occurs computed at the rate applicable in the month in which the fifteen-day period occurs, and, in either case, paid any underpayment with the payment required on or before the 25th day of the following month. Such retailers shall pay their sales tax liabilities for the remainder of each such month at the time of filing the return for such month. Determinations of amounts of liability in a calendar year for purposes of determining filing requirements shall be made by the director upon the basis of amounts of liability by those retailers during the preceding calendar year or by estimates in cases of retailers having no previous sales tax histories. The director is hereby authorized to modify the filing schedule for any retailer when it is apparent that the original determination was inaccurate.

Wildfires Fencing Sales Tax Exemption

2017 HB 2387

Notice 17-01

Effective During Calendar Years 2017 and 2018

Sales Tax Exemption for Agricultural Fence Damaged or Destroyed During Wildfires of 2016 and 2017. (*Agricultural Fencing Only*)

- ❖ Exemption good for Calendar Years 2017 and 2018.
- ❖ **Statutory exemption certificate:** Anyone reconstructing, repairing or replacing agricultural fencing destroyed by the wildfires or who has contracted to do so, may obtain a statutory exemption certificate. With the certificate, shown at the time material is purchased, the holder will not have to pay sales tax on the purchase. The exemption applies to sales tax on fencing material and lease of machinery or equipment for the project. To apply for a statutory exemption certificate, complete application form PR-70FEN or call 785-296-3081 or email kathleen.smith@ks.gov.
- ❖ **Sales Tax refund:** Individuals who have purchased fencing material to be used in the reconstruction of fencing surrounding agricultural land on or after January 1, 2017 through December 31, 2018 may apply for a refund of sales taxes paid. Sales receipt or invoice(s) showing the amount of sales tax paid on the purchases of fencing materials and or fencing repair are required to complete refund form (ST-3). If you have questions about how to complete this refund form, contact the sales tax refund phone number at 785-296-7108, or email KDOR_Audit.Funds@ks.gov.

HB 2387 AN ACT concerning sales and compensating use tax; exemption for repairing, rebuilding or replacing certain property destroyed by wildfires; amending K.S.A. 2016 Supp. 79-3606d and repealing the existing section. *Be it enacted by the Legislature of the State of Kansas:*

Section 1. K.S.A. 2016 Supp. 79-3606d is hereby amended to read as follows: 79-3606d. (a) The following shall be exempt from the tax imposed by the Kansas retailers' sales tax act: All sales of tangible personal property and services purchased during calendar years 2017 and 2018, necessary to reconstruct, repair or replace any fence *that* was damaged or destroyed by *wildfires* occurring during calendar years 2016 and 2017, and the purpose for which is to enclose land devoted to agricultural use. Sales tax paid on and after January 1, 2017, upon the gross receipts received from any such sale shall be refunded. Each claim for a sales tax refund shall be verified and submitted to the director of taxation upon forms furnished by the director and shall be accompanied by any additional documentation required by the director. The director shall review each claim and shall refund that amount of sales tax paid as determined under the provisions of this section. All refunds shall be paid from the sales tax refund fund upon warrants of the director of accounts and reports pursuant to vouchers approved by the director or the director's designee. *Any person reconstructing, repairing or replacing such property, or any person who shall contract for the reconstruction, repair or replacement of any such property shall obtain from the state an exemption certificate for the project involved. The certificate shall be furnished to the person or contractor to purchase materials and lease machinery and equipment for such project. The person or contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to the person that obtained the exemption certificate, a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection.* (b) The provisions of this section shall be deemed to be supplemental to the Kansas retailers' sales tax act. Sec. 2. K.S.A. 2016 Supp. 79-3606d is hereby repealed. **Sec. 3.** This act shall take effect and be in force from and after its publication in the Kansas register.

Corporate Tax - Public Benefit Corporation (PBC)

2017 HB 2153

Effective on and after January 1, 2018

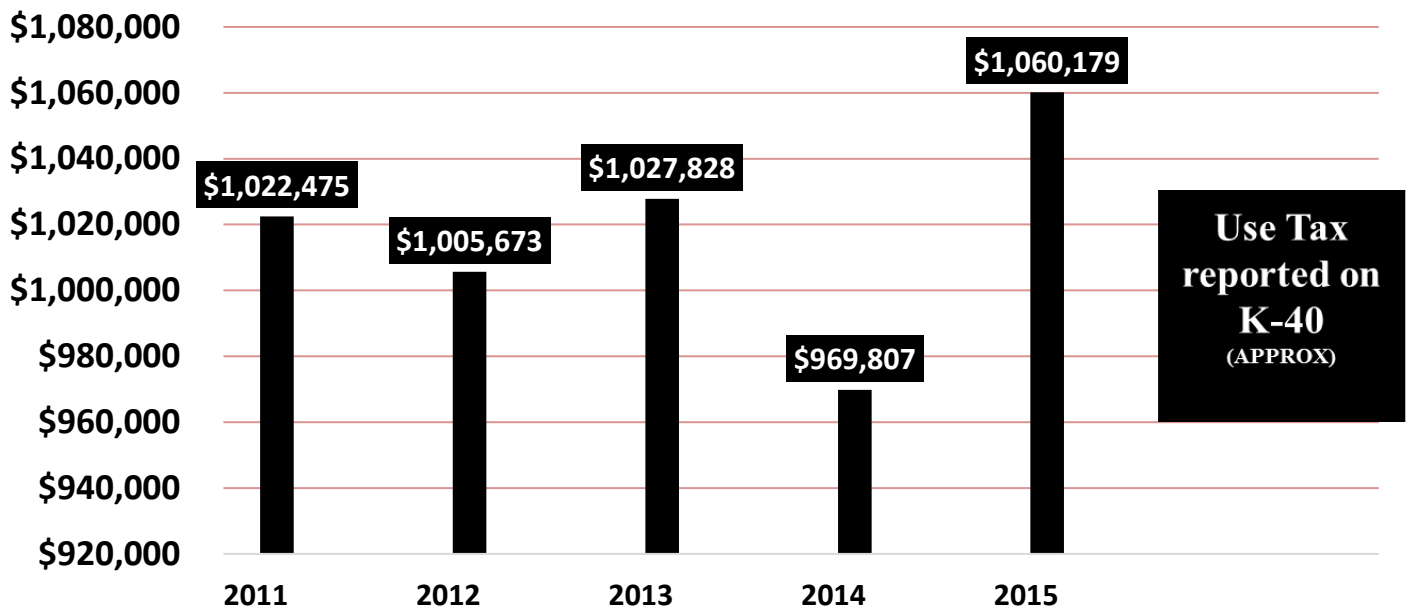
New Business Entity: Public Benefit Corporation (PBC)

- ❖ A PBC is a for-profit corporation organized under and subject to the requirements of the General Corporation Code that is intended to produce a public benefit or benefits and to operate in a responsible and sustainable manner. A PBC would be managed in a manner balancing the stockholders' financial interests (the best interests of those materially affected by the PBC's conduct) with the public benefit or benefits identified in its articles of incorporation. The PBC must identify specific public benefit or benefits and state it is a PBC within its articles of incorporation. These provisions would constitute "public benefit provisions." The PBC gives directors the secured legal protection necessary to consider the interest of all stakeholders, rather than just the shareholders.
- ❖ **"Public benefit"** means a positive effect, or reduction of negative effects, on one or more categories of the following:
 - Persons; entities; communities or interests, other than stockholders in their capacities as stockholders, including but not limited to effects of an; **artistic, literary, charitable, medical, cultural, religious, economic, scientific or technological nature, educational.**
- ❖ The approval of **2/3** of the outstanding stock is required to move, merge or consolidate with a corporation that is a non-PBC if it is presently a PBC or a PBC if it presently a non-PBC. These restrictions would not apply prior to the time the corporation has received payment for any of its capital stock.
- ❖ PBCs follow all tax laws of a traditional corporation.

HOUSE BILL No. 2153 AN ACT concerning public benefit corporations; relating to the Kansas general corporation code; business entity standard treatment act; amending K.S.A. 2016 Supp. 17-0614, 17-6712, 17-7903 and 17-7919 and repealing the existing sections. *Be it enacted by the Legislature of the State of Kansas:* New Section 1. Sections 1 through 9, and amendments thereto, apply to all public benefit corporations, as defined in section 2, and amendments thereto. If a corporation elects to become a public benefit corporation under sections 1 through 9, and amendments thereto, in the manner prescribed in sections 1 through 9, and amendments thereto, it shall be subject in all respects to the provisions of the Kansas general corporation code, except to the extent sections 1 through 9, and amendments thereto, impose additional or different requirements, in which case such requirements shall apply. New Sec. 2. (a) A "public benefit corporation" is a for-profit corporation organized under and subject to the requirements of the Kansas general corporation code that is intended to produce a public benefit or public benefits and to operate in a responsible and sustainable manner. To that end, a public benefit corporation shall be managed in a manner that balances the stockholders' pecuniary interests, the best interests of those materially affected by the corporation's conduct and the public benefit or public benefits identified in its articles of incorporation. In the articles of incorporation, a public benefit corporation shall: (1) Identify within its statement of business or purpose pursuant to K.S.A. 17-6002(a)(3), and amendments thereto, one or more specific public benefits to be promoted by the corporation; and (2) state within its heading the name of the corporation and that it is a public benefit corporation pursuant to K.S.A. 2016 Supp. 17-7919(b), and amendments thereto. (b) "Public benefit" means a positive effect, or reduction of negative effects, on one or more categories of persons, entities, communities or interests, other than stockholders in their capacities as stockholders, including, but not limited to, effects of an artistic, charitable, cultural, economic, educational, environmental, literary, medical, religious, scientific or technological nature. "Public benefit provisions" means the provisions of the articles of incorporation contemplated by this section. (c) If the name of a public benefit corporation does not contain language stated in K.S.A. 2016 Supp. 17-7919(b)(1) through (4), and amendments thereto, the corporation shall, prior to issuing unissued shares of stock or disposing of treasury shares, provide notice to any person to whom such stock is issued or who acquires such treasury shares that it is a public benefit corporation; but such notice need not be provided if the issuance or disposal is pursuant to an offering registered under the securities act of 1933, 15 U.S.C. § 77r et seq., or if, at the time of issuance or disposal, the corporation has a class of securities that is registered under the securities exchange act of 1934, 15 U.S.C. § 78a et seq. New Sec. 3. (a) Notwithstanding any other provisions of the Kansas general corporation code, a corporation that is not a public benefit corporation, may not, without the approval of 2/3 of the outstanding stock of the corporation entitled to vote thereon: (e), shall apply as nearly as practicable, with the word "amendment" substituted for the words "merger or consolidation," and the word "corporation" substituted for the words "constituent corporation" or "surviving or resulting corporation." Sec. 12. K.S.A. 2016 Supp. 17-7903 is hereby amended to read as follows: 17-7903. The following documents related to corporations shall be filed with the secretary of state: (4) *public benefit corporation articles of incorporation as set forth in section 2, and amendments thereto;* (b) *The name of a public benefit corporation shall contain either or both of one of the words, abbreviations or designations in subsection (a) or: (1) The words "public benefit corporation"; (2) the abbreviation "P.B.C."; (3) the designation "PBC"; or (4) words or abbreviations of like import in other languages if they are written in Roman characters or letters.*

Consumers Compensating Use Tax
K.S.A.79-3703

Local and State Use Tax as reported on the Kansas Individual Income tax form (K-40)



79-3703. Compensating use tax imposed; rate. There is hereby levied and here shall be collected from every person in this state a tax or excise for the privilege of using, storing, or consuming within this state any article of tangible personal property. Such tax shall be levied and collected in an amount equal to the consideration paid by the taxpayer multiplied by the rate of 6.50%. Within a redevelopment district established pursuant to K.S.A. 74-8921, and amendments thereto, there is hereby levied and there shall be collected and paid an additional tax of 2% until the earlier of: (1) The date the bonds issued to finance or refinance the redevelopment project undertaken in the district have been paid in full; or (2) the final scheduled maturity of the first series of bonds issued to finance the redevelopment project. All property purchased or leased within or without this state and subsequently used, stored or consumed in this state shall be subject to the compensating tax if the same property or transaction would have been subject to the Kansas retailers' sales tax had the transaction been wholly within this state. Kansas Compensating Use Tax was added to the K-40 (line 18) in 2004. Kansas imposes a use tax on goods purchased by Kansans (individuals and businesses) from Outside Kansas and that are used, stored, or consumed in Kansas on which; No sales tax was paid or a sales tax less than the Kansas rate was paid. The purpose of compensating use tax is to protect Kansas businesses from unfair competition from out-of-state retailers who sell goods tax-free; use tax "compensates" for the lack of sales tax paid at the time of purchase. A use tax also helps to assure fairness to Kansans who purchase similar items in Kansas and pay Kansas sales tax on them. This is not a new concept. Compensating use tax in Kansas has been in effect since 1937.

12-191. Same; situs of taxable transactions; rules and regulations; effective date for collection of taxes; revenue in excess of budget, disposition. All retail transactions consummated within a county or city having a retail sales tax, which transactions are subject to the Kansas retailers' sales tax, shall also be subject to such county or city retail sales tax. Except as hereinafter provided, all retail sales, for the purpose of this act, shall be considered to have been consummated at the location determined by the sourcing rules as provided in K.S.A. 2015 Supp A.

2016 House Sub for SB149 New Sec. 2. (a) In order to raise awareness of liabilities of use taxes levied in article 37 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, for purchases of tangible personal property made outside this state to be consumed within this state, and to increase compliance with such provisions of law, the director of taxation is hereby directed to include a line for the remittance of sales tax on out-of-state and internet purchases where the tax was not paid on individual tax returns for tax years beginning on or after July 1, 2016. (b) The director shall include the following information in the income tax form instructions: (1) An explanation of an individual's obligation to pay use tax on items purchased from mail order, internet or other sellers that do not collect state and local sales and use taxes on the items; and (2) a method to help an individual determine the amount of use tax the individual owes. The method may include a table that gives the average amounts of use tax payable by taxpayers in various income ranges. (c) No penalties or interest shall be applied with respect to any taxes remitted pursuant to the provisions of this section.

Homestead
Last Changed in HB 2117
Effective January 1, 2013

2017

MAXIMUM "HOUSEHOLD INCOME"

Indexed to inflation

Homestead \$34,450

55 or older or dependent under 18 or totally & permanently disabled

Safe Senior \$19,500

65 or older

Homestead and Safe Senior Due Date for TY 2017... April 16, 2018

Kansas Income Tax Due Date for TY 2017 April 17, 2018
(Calendar Year)

2005 SB 133 Sec. 1 K.S.A. 79-4508(d) *In the case of all tax years commencing after December 31, 2004, the upper limit threshold amount prescribed in this section, shall be increased by an amount equal to such threshold amount multiplied by the cost-of-living adjustment determined under section 1(f)(3) of the federal internal revenue code for the calendar year in which the taxable year commences.*

- Household Income limit for TY 2008 - \$29,700
- Household Income limit for TY 2009 - \$31,300
- Household Income limit for TY 2010 - \$30,800
- Household Income limit for TY 2011 - \$31,200
- Household Income limit for TY 2012 - \$32,400
- Household Income limit for TY 2013 - \$32,900
- Household Income limit for TY 2014 - \$33,400
- Household Income limit for TY 2015 - \$34,000
- Household Income limit for TY 2016 - \$34,100
- Household Income limit for TY 2017 - \$34,450

2012 Senate Substitute for House Bill No. 2117, Sec. 30. On and after January 1, 2013, K.S.A. 2011 Supp. 79-4501 is hereby amended to read as follows: 79-4501. The title of this act shall be the homestead property tax refund act. The purpose of this act shall be to provide *ad valorem tax refunds to: (a) Certain persons who are of qualifying age who own their homestead; (b) certain persons who have a disability, who own their homestead; and (c) certain persons other than persons included under the provisions of (a) or (b) who have low incomes and dependent children and own their homestead.*

79-4505. same; deadline for filing claim. Except as provided in K.S.A. 79-4517, and amendments thereto, no claim in respect of property taxes levied in any year shall be paid or allowed unless such claim is actually filed with and in the possession of the department of revenue on or before April 15 of the year next succeeding the year in which said taxes were levied.

Alcohol & Tobacco

2017 HB 2230, SB 13, HB 2277

Notice 17-12

- ❖ **HB 2230 Electronic Cigarette Provisions** - The bill delays the effective date and reduces the rate of the tax on electronic cigarettes. Under previous law, a tax at the rate of **\$0.20 per milliliter** of consumable material in electronic cigarettes was imposed as of January 1, 2017. The bill delays the effective date of the tax to **July 1, 2017**, and reduces the rate to **\$0.05 per milliliter**. The bill defines “consumable material” to mean any liquid solution or other material that is depleted as an electronic cigarette is used.
- ❖ **SB 13 “Uncork Bill”** - Starting on **April 1, 2019**, persons such as convenience stores, grocery stores, and drug stores who are licensed to sell Cereal Malt Beverage (CMB) - which is defined by law to mean any fermented but un-distilled liquor brewed from malt, malt substitute, flavored malt beverage, or combination thereof, with an alcohol weight of 3.2% or less - may sell beer containing not more than 6% alcohol by volume. Persons licensed to sell CMB will not be allowed to sell beer at a price less than cost, unless permitted by the Director of Alcohol Beverage Control (Director) when specific conditions are present, such as the discontinuance of an item or by court order. Also starting on **April 1, 2019**, any person with a retailer’s license to sell alcoholic liquor (beer, wine, and distilled spirits) may sell CMB. Liquor retailers may sell other goods or services, provided the amount of nonalcoholic sales - excluding the sales of lottery tickets, cigarettes, and other tobacco products - does not exceed **20%** of the retailer’s total gross sales. Liquor retailers continue to provide product for resale by bars, restaurants, clubs, and caterers. The bill repeals the prohibition placed on selling CMB next to alcoholic liquor.
- ❖ **HB 2277 “Common Consumption Areas”** Allows a city or county to establish one or more common consumption areas by ordinance or resolution, designate the boundaries of any common consumption area, and prescribe the times during which alcoholic liquor may be consumed. Requires a permit from the Director of ABC. Also eliminates the ten-day waiting period for an applicant to become a member of a class B club.

HB 2230 SEC 3 (m) “Electronic cigarette” means a battery-powered device, whether or not such device is shaped like a cigarette, that can provide inhaled doses of nicotine by delivering a vaporized solution by means of cartridges or other chemical delivery systems. (n) “Importer” means the same as provided in 26 U.S.C. § 5702(k). Sec. 25. K.S.A. 2016 Supp. 79-3399 is hereby amended to read as follows: 79-3399. (a) On and after July 1, 2017, a tax is hereby imposed upon the privilege of selling or dealing in electronic cigarettes in this state by any person engaged in business as a distributor thereof, at the rate of \$.05 per milliliter of consumable material for electronic cigarettes and a proportionate tax at the like rate on all fractional parts thereof. For electronic cigarettes in the possession of retail dealers for which tax has not been paid, tax shall be imposed under this subsection at the earliest time the retail dealer: (1) Brings or causes to be brought into this state from without the state electronic cigarettes for sale; (2) makes, manufactures or fabricates electronic cigarettes in this state for sale in this state; or (3) sells electronic cigarettes to consumers within this state. (b) “Consumable material” means any liquid solution or other material that is depleted as an electronic cigarette is used. **SB13** New Section 1. (a) Notwithstanding the provisions of K.S.A. 41-1101, and amendments thereto, or the provisions of the Kansas cereal malt beverage act, a distributor may establish reasonable minimum order quantities or minimum dollar value of an order, or both, for alcoholic liquor and cereal malt beverages distributed by the distributor to a retailer. (b) The provisions of K.S.A. 41-1101(b), and amendments thereto, shall apply to a person licensed pursuant to K.S.A. 41-2702, and amendments thereto, to sell cereal malt beverage and beer containing not more than 6% alcohol by volume to the same extent it applies to a retailer licensed pursuant to the Kansas liquor control act, and the provisions of K.S.A. 41-1101(d), and amendments thereto, shall apply to a retailer licensed pursuant to the Kansas liquor control act to the same extent it applies to a retailer licensed pursuant to K.S.A. 41-2702, and amendments thereto. (c) This section shall be a part of and supplemental to the Kansas liquor control act. (d) The provisions of this section shall be effective on and after April 1, 2019. New Sec. 2. (a) It is hereby declared to be the intent of the legislature that, for the purposes of any agreement entered into prior to April 1, 2019, pursuant to K.S.A. 41-410, and amendments thereto, between a supplier and a distributor regarding the geographic territory within which the distributor may sell one or more brands of the supplier’s cereal malt beverage or beer, or both, the term “cereal malt beverage” shall have the meaning ascribed to such term in K.S.A. 41-2701, and amendments thereto, on the effective date of this act, and the term “beer” shall have the meaning ascribed to such term in K.S.A. 41-102, and amendments thereto, on the effective date of this act. (b) This section shall be a part of and supplemental to the Kansas liquor control act. (c) The provisions of this section shall be effective on and after April 1, 2019. New Sec. 3. (a) Following the 10th anniversary of the effective date of this act, the director shall conduct a market impact study of the sale of beer containing not more than 6% alcohol by volume by persons licensed as cereal malt beverage retailers pursuant to K.S.A. 41-2702, and amendments thereto. Such study shall include, but not be limited to, the changes subsequent to the effective date of this act, if any, in the number of retailers and the reasons for any changes; the changes subsequent to the effective date of this act, if any, in the number of persons licensed to sell cereal malt beverage in the original package for use or consumption off of and away from the licensed premises, and the reasons for any changes; the effect of this act on state and local tax revenues; the impact of this act on employment;

HB 2230 cont. and such other factors as the director deems pertinent. A report on the director's findings from such study shall be submitted to the legislature prior to adjournment of the 2029 session of the legislature. (b) The director shall have oversight over the sale of beer containing not more than 6% alcohol by volume by persons licensed as cereal malt beverage retailers pursuant to K.S.A. 41-2702, and amendments thereto, to ensure that such sales promote an orderly market. For such purpose, the director may adopt such rules and regulations as the director deems necessary and appropriate, including rules and regulations making applicable to cereal malt beverage retailers selling beer containing not more than 6% alcohol by volume such provisions of the existing rules and regulations concerning industry trade practices as are necessary and appropriate. The rules and regulations authorized by this section shall be promulgated by the director on or before July 1, 2018. Sec 4. (y) (1) "Retailer" means a person who *is licensed under the Kansas liquor control act and sells at retail, or offers for sale at retail, alcoholic liquors or cereal malt beverages.* SEC 5. (d) *The sale of beer containing not more than 6% alcohol by volume to cereal malt beverage retailers licensed pursuant to K.S.A. 41-2702, and amendments thereto.* Sec. 6. On and after April 1, 2019, K.S.A. 2016 Supp. 41-308 is hereby amended to read as follows: 41-308. (a) Except as provided in K.S.A. 2016 Supp. 41-308d, and amendments thereto, a retailer's license shall allow the licensee to sell and offer for sale at retail and deliver in the original package, as therein prescribed, alcoholic liquor *and cereal malt beverage* for use or consumption off and away from the premises specified in such license. (b) A retailer's license shall permit sale and delivery of alcoholic liquor *and cereal malt beverage* only on the licensed premises and shall not permit sale of alcoholic liquor *and cereal malt beverage* for resale in any form, except that a licensed retailer may: (1) Sell alcoholic liquor *and cereal malt beverage* to a temporary permit holder for resale by such permit holder; and (2) sell and deliver alcoholic liquor *and cereal malt beverage* to a caterer or to the licensed premises of a public venue, club or drinking establishment, if such premises are in the county where the retailer's premises are located or in an adjacent county, for resale by such public venue, club, establishment or caterer. (c) A retailer may: (1) Charge a delivery fee for delivery of *alcoholic liquor and cereal malt beverage* to a public venue, club, drinking establishment or caterer pursuant to subsection (b); (2) sell lottery tickets and shares to the public in accordance with the Kansas lottery act, if the retailer is selected as a lottery retailer; (3) include in the sale of alcoholic liquor *and cereal malt beverage* any goods included by the manufacturer in packaging with the alcoholic liquor *or cereal malt beverage*, subject to the approval of the director; (4) distribute to the public, without charge, consumer advertising specialties bearing advertising matter, subject to rules and regulations of the secretary limiting the form and distribution of such specialties so that they are not conditioned on or an inducement to the purchase of alcoholic liquor. *or cereal malt beverage*; (5) store alcoholic liquor *and cereal malt beverage* in refrigerators, cold storage units, ice boxes or other cooling devices, and the licensee may sell such alcoholic liquor *and cereal malt beverage* to consumers in a chilled condition; *and (6) sell any other good or service on the licensed premises, except that the gross sales of other goods and services, excluding fees derived from the sale of lottery tickets and revenues from sales of cigarettes and tobacco products, shall not exceed 20% of the retailer's total gross sales.* New Section 1. (a) (1) A city or a county may establish one or more common consumption areas within the limits of the city or within the unincorporated portion of the county, as applicable, by ordinance or resolution, respectively, and authorize the possession and consumption of alcoholic liquor within the common consumption area. The ordinance or resolution shall designate the boundaries of any common consumption area and prescribe the times during which alcoholic liquor may be consumed therein. The ordinance or resolution shall require that any public street or roadway that lies within a common consumption area shall be blocked from motorized traffic during the hours in which alcohol is consumed. (2) The city or county shall immediately notify the director of the division of alcoholic beverage control of the establishment of a common consumption area and submit a copy of the ordinance or resolution along with such notice.

Miscellaneous

- ❖ **Interest rate** - For calendar year 2017 on delinquent or unpaid taxes and overpayments of taxes is **5%** (.00417 monthly rate)
- ❖ **SB 20** amends the Kansas Banking Code to allow state-chartered banks to purchase tax credits for certain historic structure rehabilitation expenditures (K-35) provided for in the Kansas Income Tax Act. The bill limits the amount of tax credits a state-chartered bank can hold at a given time to no more than 25% of the total sum of the bank's capital stock, surplus, undivided profits, and 100% of the allowance for loan and lease loss, capital notes and debentures, and reserve for contingencies.
- ❖ **SB 96** Authorizes the Secretary of Revenue to require, as a condition of initial or continued employment, the fingerprinting of contractors and employees having access to federal tax information received directly from the Internal Revenue Service. Such persons also will be subject to state and national criminal history record checks. The Secretary is authorized to submit the fingerprints to the Kansas Bureau of Investigation and the Federal Bureau of Investigation. Local and state law enforcement agencies are required to assist the Secretary in the taking and processing of fingerprints and to release all records of arrests and convictions to the Secretary. The Secretary may use information obtained under the bill only to verify the identification of persons and to determine their fitness for employment. Any other use or disclosure of the information is deemed a class A, nonperson misdemeanor and constitutes grounds for removal from office, with the exception of certain information that may be shared with the Post Auditor in accordance with the provisions of the Legislative Post Audit Act.
- ❖ **HB 2002** for fiscal year ending June 30, 2018, state employees who have not received an increase in salary after July 1, 2012 and have been continuously employed by the state since July 1, 2012 will receive a 5% salary increase including associated employer contributions. Also all classified and unclassified state employees who first became employed by the state after July 1, 2012 will receive a 2.5% salary increase, including associated employer contributions.

SB 20 Section 1. K.S.A. 2016 Supp. 9-1101 is hereby amended to read as follows: 9-1101. (a) Any bank hereby is authorized to exercise by its board of directors or duly authorized officers or agents, subject to law, the following powers: (36) *to buy tax credits for certain historic structure rehabilitation expenditures pursuant to K.S.A. 2016 Supp. 79-32,211, and amendments thereto. The total amount of such tax credits held by a bank shall at no time exceed 25% of the capital stock, surplus, undivided profits, 100% of the allowance for loan and lease loss, capital notes and debentures and reserve for contingencies of such bank.*

SB96 New Section 1. (a) The secretary of revenue may require, as a qualification for initial or continuing employment or contracting with the department of revenue, all persons having access to federal tax information received directly from the internal revenue service to be fingerprinted and submit to a state and national criminal history record check. The fingerprints shall be used to identify the person and to determine whether the person has a record of criminal arrests and convictions in this state or other jurisdictions. The secretary is authorized to submit the fingerprints to the Kansas bureau of investigation and the federal bureau of investigation for a state and national criminal history record check. Local and state law enforcement officers and agencies shall assist the secretary in the taking and processing of fingerprints of such persons and shall release all records of a person's arrests and convictions to the secretary. (b) The secretary may use the information obtained from fingerprinting and a person's criminal history only for the purposes of verifying the identification of such person and in the official determination of the fitness of such person's qualification for initial or continuing employment. Disclosure or use of any information received by the secretary or a designee of the secretary for any purpose other than the purpose provided for in this section shall be a class A nonperson misdemeanor and shall constitute grounds for removal from office or termination of employment. Nothing in this section shall prevent disclosure of any information received by the secretary pursuant to this section to the post auditor in accordance with the provisions of the legislative post audit act. (c) Whenever the secretary requires fingerprinting, any associated costs shall be paid by the agency or contractor.

HB 2002 (d) Upon recommendation of the director of the budget, the state finance council, acting on this matter which is hereby characterized as a matter of legislative delegation and subject to the guidelines prescribed in K.S.A. 75-3711c(c), and amendments thereto, is hereby authorized to approve increases in expenditure limitations on special revenue funds and accounts as necessary to pay the salary increases under this section for the fiscal year ending June 30, 2018. The director of accounts and reports is hereby authorized and directed to increase expenditure limitations on such special revenue funds and accounts in accordance with such approval for the purpose of paying from such funds or accounts the proportionate share of the cost to such funds or accounts, including associated employer contributions, of the salary increases and other amounts specified for the fiscal year ending June 30, 2018. (f) A state employee shall be eligible for a salary increase under this section based on only one of the following: (1) 5% salary increase, including associated employer contributions, for all state employees in the classified and unclassified service who have not received an increase in salary after July 1, 2012, and who have been continuously employed by the state since July 1, 2012, except as provided in paragraph (3) or (4); (2) 2.5% salary increase, including associated employer contributions, for all state employees in the classified and unclassified service who first became employed by the state after July 1, 2012.

Kansas Department of Revenue Contact Info

KDOR Taxpayer Education:

Carl York 785-296-1048

carl.york@kdor.ks.gov

Customer Relations:

Income Tax: (785)-368-8222 **Option 4**

Business Tax: (785)-368-8222 **Option 5**

Línea de teléfono Español: (785)-368-8222 **Option 6**

Problem Resolution Officer:

Bob Clelland

Office (785) 296-2473

Fax (866) 637-0858

E-mail KDOR_taxpayer.advocate@ks.gov

Kansas Department of Revenue Website(s):

KDOR Main Website:

www.ksrevenue.org

For filing a Kansas return electronically

Visit the KDOR WebFile website at:

www.webtax.org

For help with electronic filing call

Electronic Services (E-Services Unit)

(785) 296-6993

Forms Order Line:

(785)-296-4937

KDOR_forms@ks.gov

2017 Notices

- 17-01 Exempt Sales of Fencing Material and Services
- 17-02 Income Tax Rates and Withholding Rates Changed for Individual, Estates, and Trusts
- 17-03 Changes to Addition and Subtraction Modifications Related to Nonwage Business Income
- 17-04 Changes to Individual Low Income Exclusion
- 17-05 Net Operating Losses for Individuals
- 17-06 Itemized Deductions for Individual Income Tax
- 17-07 Credit for Child and Dependent Care
- 17-08 Tax Credit for Low Income Student Scholarship
- 17-09 Estimated Tax Payments for Nonwage Business Income
- 17-10 Withholding Tax Due Date Change
- 17-11 Sales Tax Filing and Remittance Frequency Thresholds Adjusted
- 17-12 Cigarettes, Electronic Cigarettes, Consumable Material and Other Tobacco Products

NOTICE 17-01

EXEMPT SALES OF FENCING MATERIALS AND SERVICES (MARCH 23, 2017)

During the 2017 Legislative Session House Bill 2387 was passed and signed into law. This Bill amended K.S.A. 79-3606d to provide for tax exempt sales of fencing materials and services purchased during calendar years 2017 and 2018 to reconstruct, repair or replace any fence which was damaged or destroyed by fire during 2016 and 2017, and the purpose for which is to enclose land devoted to agricultural use. As amended, the language of K.S.A. 79-3606d now reads:

79-3606d. (a) The following shall be exempt from the tax imposed by the Kansas retailers' sales tax act: All sales of tangible personal property and services purchased during calendar years 2017 and 2018, necessary to reconstruct, repair or replace any fence that was damaged or destroyed by wildfires occurring during calendar years 2016 and 2017, and the purpose for which is to enclose land devoted to agricultural use. Sales tax paid on and after January 1, 2017, upon the gross receipts received from any such sale shall be refunded. Each claim for a sales tax refund shall be verified and submitted to the director of taxation upon forms furnished by the director and shall be accompanied by any additional documentation required by the director. The director shall review each claim and shall refund that amount of sales tax paid as determined under the provisions of this section. All refunds shall be paid from the sales tax refund fund upon warrants of the director of accounts and reports pursuant to vouchers approved by the director or the director's designee. Any person reconstructing, repairing or replacing such property, or any person who shall contract for the reconstruction, repair or replacement of any such property shall obtain from the state an exemption certificate for the project involved. The certificate shall be furnished to the person or contractor to purchase materials and lease machinery and equipment for such project. The person or contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to the person that obtained the exemption certificate, a sworn statement, on a form provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection.

(b) The provisions of this section shall be deemed to be supplemental to the Kansas retailers' sales tax act.

A request for an exemption certificate should be made by submitting form PR-70FEN (3/2017) Request for Exemption Certificate for Fencing Materials and Services. Visit the Department's website at: www.ksrevenue.org/wildfires to download the form. Once the request has been approved, the Department will issue a Fencing Exemption Certificate, along with a cover letter. Both the Fencing Exemption Certificate and the cover letter will provide additional details regarding the types of materials and leases that qualify for the exemption.

Although obtaining an exemption certificate is the preferred method, because it permits making purchases without paying tax, if a purchase has already been made, and tax paid, the exemption allowed by the statute can be claimed by submitting form ST-3, Kansas Application for Sales Tax Refund of Fencing Materials and/or

Services. Please be sure to submit all the information and documents requested on the form at the time you file your claim for refund. Failing to do so will delay or may even prevent issuance of a refund.

The effective date of the legislation is March 23, 2017. You should allow at least 5 days for processing of any request for an exemption certificate.

You should allow at least 45 days for processing of any refund claim. Please note refunds will only be made for sales tax paid to a Kansas retailer.

This Notice replaces Notice 16-04

TAXPAYER ASSISTANCE

Additional copies of this notice, forms or publications are available from our website, www.ksrevenue.org. If you have questions about this Notice, please contact:

Taxpayer Assistance Center
Kansas Department of Revenue
120 SE 10th Ave.
Topeka, KS 66612
Phone: 785-368-8222
Hearing Impaired TTY:
785-296-6461
Fax: 785-291-3614

NOTICE 17-02

**INCOME TAX RATES AND WITHHOLDING RATES CHANGED
FOR INDIVIDUALS, ESTATES, AND TRUSTS
(JULY 1, 2017)**

The 2017 Legislature increased individual income tax rates retroactively for tax year 2017, and further increased them for tax year 2018 and later years. The changes were made in Senate Bill 30, amending K.S.A. 79-32,110, the statute which establishes the rates of state income tax. The changes are in effect beginning July 1, 2017.

Kansas income tax rates for tax year 2017 and later years are as follows:

Married Filing Joint Returns

For tax year 2017:

If the taxable income is:	The tax is:
Not over \$30,000	2.9% of Kansas taxable income
Over \$30,000 but not over \$60,000	\$870 plus 4.9% of excess over \$30,000
Over \$60,000	\$2,340 plus 5.2% of excess over \$60,000

For tax year 2018, and all tax years thereafter:

If the taxable income is:	The tax is:
Not over \$30,000	3.1% of Kansas taxable income
Over \$30,000 but not over \$60,000	\$930 plus 5.25% of excess over \$30,000
Over \$60,000	\$2,505 plus 5.7% of excess over \$60,000

All Other Individuals

(As Well As Estates and Trusts)

For tax year 2017:

If the taxable income is:	The tax is:
Not over \$15,000	2.9% of Kansas taxable income
Over \$15,000 but not over \$30,000	\$435 plus 4.9% of excess over \$15,000
Over \$30,000	\$1,170 plus 5.2% of excess over \$30,000

For tax year 2018, and all tax years thereafter:

If the taxable income is:	The tax is:
Not over \$15,000	3.1% of Kansas taxable income
Over \$15,000 but not over \$30,000	\$465 plus 5.25% of excess over \$15,000
Over \$30,000	\$1,252.50 plus 5.7% of excess over \$30,000

Withholding Tax Changes

Under Kansas law the Secretary of Revenue is required to prepare tables, and/or to prescribe schedules or rates, for withholding tax that will approximate an employee's annual tax liability during a calendar year. Under the provisions of the new legislation this task is complicated by the fact the income tax rates for tax year 2017 are changing in mid-year, meaning many employees will not have had enough tax withheld for the year. In addition, tax rates will change again in only 6 months because different rates become effective January 1, 2018, for tax year 2018.

To address these concerns the Department has updated the withholding tax tables to reflect the higher 2018 tax year withholding tax rates. These tables are available through the Department's website at: <https://ksrevenue.org/forms-btwh.html> Applying these rates to the second half of tax year 2017 should allow most employees to "catch-up" on their withholding for tax year 2017. In addition, beginning to withhold at the 2018 rate now means it will not be necessary to change the amount of withholding again in just 6 months.

While using the 2018 withholding rate tables will make the necessary adjustments to most wage earners withholding, every taxpayer is different. As a result, the Department encourages all wage earners to review their personal tax situation, and to discuss any questions with their tax preparer or tax professional.

No Penalty For Underpayment of Tax Due To Rate Change

Like the federal tax system, the Kansas tax system is designed so that income tax is remitted as income is earned. Usually, under withholding of income tax or failure to make estimated tax payments will result in a penalty being imposed. However, this legislation specifically provides that a penalty will not be imposed if all of the tax that was underpaid as a result of the rate increase is paid by April 17, 2018, which is the due date of 2017 calendar year income tax returns. Section 4 of the Bill amends K.S.A. 79-32,110 by adding subsection (f) which states:

(f) No taxpayer shall be assessed penalties and interest arising from the underpayment of taxes due to changes to the rates in subsection (a) that became law on July 1, 2017, so long as such underpayment is rectified on or before April 17, 2018.

Corporate Income Tax Rates Not Affected

The changes made by Senate Bill 30 do not affect corporate income tax. Corporate income tax rates have not changed.

Taxpayer Assistance

Additional copies of this notice, forms or publications are available from our web site, www.ksrevenue.org. If you have questions about this Notice, please contact:

Phone: 785-368-8222

Hearing Impaired TTY: 785-296-6461

Fax: 785-291-3614

NOTICE 17-03

**CHANGES TO ADDITION AND SUBTRACTION MODIFICATIONS RELATED TO
NONWAGE BUSINESS INCOME
(JULY 1, 2017)**

Generally

The calculation of an individual's Kansas income tax starts with federal adjusted gross income. Certain modifications, either additions or subtractions, required by K.S.A. 79-32,117 are then made to arrive at Kansas adjusted gross income.

The 2017 Kansas Legislature approved Senate Bill 30, which impacts state income tax law. Provisions in Section 5 of the Bill amended K.S.A. 79-32,117 to limit the time period for which five addition modifications and four subtraction modifications are effective. The overall effect of these amendments is to make these modifications effective only for tax years beginning after December 31, 2012 and ending before January 1, 2017.

Changes In The Law

Addition Modifications – Certain Losses and Deductions No Longer Subject to Tax

As explained in Notice 12-11, in 2012, Kansas law was amended to provide that for tax years beginning after December 31, 2012, certain categories of nonwage business income were exempt from income tax. To prevent individuals from claiming excessive losses or deductions associated with this nonwage business income there was a requirement that certain losses or deductions be added to the taxpayer's federal adjusted gross income when computing Kansas income tax. Because Senate Bill 30 provides this nonwage business income is no longer exempt from Kansas income tax (as explained below in the section on Subtraction Modifications) the requirement that certain losses or deductions associated with this nonwage business income be added to federal adjusted gross income when computing Kansas income tax has been removed.

Losses

(1) Business losses

Prior to passage of Senate Bill 30, subsection (b)(xix) provided an addition modification for business losses reported on federal Schedule C and line 12 of federal Form 1040. Under federal law, Schedule C is used to report income or losses from a sole proprietorship, and income paid to individuals considered statutory employees for federal income tax purposes. Now this modification is limited to tax years beginning after December 31, 2012, and ending before January 1, 2017. As a result, these losses are no longer added to federal adjusted gross income when calculating Kansas income tax. Specifically, the statute now provides:

- (b) There shall be added to federal adjusted gross income:

(xix) For *all* taxable years beginning after December 31, 2012, and ending before January 1, 2017, the amount of any: (1) Loss from business as determined under the federal internal revenue code and reported from schedule C and on line 12 of the taxpayer's form 1040 federal individual income tax return; . . .

(2) Losses From Certain Entities and Certain Types of Losses

Prior to passage of Senate Bill 30, subsection (b)(xix) provided an addition modification for losses reported on federal Schedule E and line 17 of federal Form 1040. Under federal law, Schedule E is used to report income received from, or losses related to, certain entities (including partnerships, S corporations, limited liability companies, estates and trusts) and certain types of income (including income from rental real estate, royalties, residual interests in real estate mortgage investment conduits, and net farm rental). Now this modification is limited to tax years beginning after December 31, 2012, and ending before January 1, 2017. As a result, these losses are no longer added to federal adjusted gross income when calculating Kansas income tax. Specifically, the statute now provides:

(b) There shall be added to federal adjusted gross income:

(xix) For *all* taxable years beginning after December 31, 2012, and ending before January 1, 2017, the amount of any: (2) loss from rental real estate, royalties, partnerships, S corporations, except those wholly owned subsidiaries subject to the Kansas privilege tax, estates, trusts, residual interest in real estate mortgage investment conduits and net farm rental as determined under the federal internal revenue code and reported from schedule E and on line 17 of the taxpayer's form 1040 federal individual income tax return;

(3) Farm Income

Prior to passage of Senate Bill 30, subsection (b)(xix) provided an addition modification for farm losses reported on federal Schedule F and line 18 of federal Form 1040. Under federal law, Schedule F is used to report net farm profit or loss. Now this modification is limited to tax years beginning after December 31, 2012, and ending before January 1, 2017. As a result, these losses are no longer added to federal adjusted gross income when calculating Kansas income tax. Specifically, the statute now provides:

(b) There shall be added to federal adjusted gross income:

(xix) For *all* taxable years beginning after December 31, 2012, and ending before January 1, 2017, the amount of any: farm loss as determined under the federal internal revenue code and reported from schedule F and on line 18 of the taxpayer's form 1040 federal income tax return;

Deductions

Certain items are deductible under federal law, but the deduction is not shown on federal Schedule C, E, or F. Instead, the deduction is shown on a line of the federal Form 1040. These include:

- A. One-half of self-employment taxes. Line 27, IRC §164(f)
- B. Contributions to retirement plans by self-employed. Line 28, IRC §62(a)(6)

C. Purchases of health insurance by self-employed. Line 28, IRC §162(l)

D. Deduction for domestic production activities. Line 35, IRC §199

Prior to passage of Senate Bill 30, subsection (b) provided additional modifications for these deductions. Now these modifications are limited to tax years beginning after December 31, 2012, and ending before January 1, 2017. As a result, these deductions are no longer added to federal adjusted gross income when calculating Kansas income tax. Specifically, the statute now provides:

Self-employment taxes

(b) There shall be added to federal adjusted gross income:

(xx) For ~~all~~ taxable years beginning after December 31, 2012, and ending before January 1, 2017, the amount of any deduction for self-employment taxes under section 164(f) of the federal internal revenue code as in effect on January 1, 2012, and amendments thereto, in determining the federal adjusted gross income of an individual taxpayer, to the extent the deduction is attributable to income reported on schedule C, E or F and on line 12, 17 or 18 of the taxpayer's from 1040 federal income tax return.

Retirement plans by self-employed

(b) There shall be added to federal adjusted gross income:

(xxi) For ~~all~~ taxable years beginning after December 31, 2012, and ending before January 1, 2017, the amount of any deduction for pension, profit sharing, and annuity plans of self-employed individuals under section 62(a)(6) of the federal internal revenue code as in effect on January 1, 2012, and amendments thereto, in determining the federal adjusted gross income of an individual taxpayer.

Purchases of health insurance by self-employed.

(b) There shall be added to federal adjusted gross income:

(xxii) For ~~all~~ taxable years beginning after December 31, 2012, and ending before January 1, 2017, the amount of any deduction for health insurance under section 162(l) of the federal internal revenue code as in effect on January 1, 2012, and amendments thereto, in determining the federal adjusted gross income of an individual taxpayer.

Domestic production activities.

(b) There shall be added to federal adjusted gross income:

(xxiii) For ~~all~~ taxable years beginning after December 31, 2012, and ending before January 1, 2017, the amount of any deduction for domestic production activities under section 199 of the federal internal revenue code as in effect on January 1, 2012, and amendments thereto, in determining the federal adjusted gross income of an individual taxpayer.

Subtraction Modifications – Nonwage Business Income No Longer Exempt

In 2012, Kansas law was amended to provide that for tax years beginning after December 31, 2012, there would be a subtraction modification for three categories of income: (1) nonwage business income; (2) income from certain types of entities; and (3) farm income. Subsequent amendments added other, related, subtraction modifications. Senate Bill 30 amends subsection (c) to remove these subtraction modifications. By not allowing this income to be subtracted from federal adjusted gross income when calculating Kansas adjusted gross income, this income is now subject to Kansas income tax.

(1) Stockholders in Banks and Savings and Loans

Prior to passage of Senate Bill 30, subsection (c)(xiv) provided a subtraction modification for income received by a taxpayer who is a stockholder in a Kansas bank, national banking association, savings and loan, or federal savings association, for which an S corporation election has been made. Now this modification is limited to tax years beginning after December 31, 2012, and ending before January 1, 2017. As a result, this income may no longer be subtracted from federal adjusted gross income when calculating Kansas income tax. Specifically, the statute now provides:

(xiv) For all taxable years commencing after December 31, 1996, that portion of any income of a bank organized under the laws of this state or any other state, a national banking association organized under the laws of the United States, an association organized under the savings and loan code of this state or any other state, or a federal savings association organized under the laws of the United States, for which an election as an S corporation under subchapter S of the federal internal revenue code is in effect, which accrues to the taxpayer who is a stockholder of such corporation and which is not distributed to the stockholders as dividends of the corporation. For ~~all~~ taxable years beginning after December 31, 2012, and ending before January 1, 2017, the amount of modification under this subsection shall exclude the portion of income or loss reported on schedule E and included on line 17 of the taxpayer's form 1040 federal individual income tax return.

(2) Nonwage Business Income

Prior to passage of Senate Bill 30, subsection (c)(xx) provided a subtraction modification for income reported on federal Schedule C and line 12 of federal Form 1040. Under federal law, Schedule C is available only to sole proprietors and to individuals considered statutory employees for federal income tax purposes. Now this modification is limited to tax years beginning after December 31, 2012, and ending before January 1, 2017. As a result, this income may no longer be subtracted from federal adjusted gross income when calculating Kansas income tax. Specifically, the statute now provides:

(c) There shall be subtracted from federal adjusted gross income:

(xx) For ~~all~~ taxable years beginning after December 31, 2012, *and ending before January 1, 2017*, the amount of any: (1) Net profit from business as determined under the federal internal revenue code and reported from schedule C and on line 12 of the taxpayer's form 1040 federal individual income tax return; . . .

(3) Income From Certain Entities and Certain Types of Income

Prior to passage of Senate Bill 30, subsection (c)(xx) provided a subtraction modification for income reported on federal Schedule E and line 17 of federal Form 1040. Under federal law, Schedule E is used to report income received from certain entities (including partnerships, S corporations, limited liability companies, estates and trusts) and certain types of income (including income from rental real estate, royalties, residual interests in real estate mortgage investment conduits, and net farm rental). Now this modification is limited to tax years beginning after December 31, 2012, and ending before January 1, 2017. As a result, this income may no longer be subtracted from federal adjusted gross income when calculating Kansas income tax. Specifically, the statute now provides:

(c) There shall be subtracted from federal adjusted gross income:

(xx) For ~~all~~ taxable years beginning after December 31, 2012, *and ending before January 1, 2017*, the amount of any: (2) net income from rental real estate, royalties, partnerships, S corporations, estates, trusts, residual interest in real estate mortgage investment conduits and net farm rental as determined under the federal internal revenue code and reported from schedule E and on line 17 of the taxpayer's form 1040 federal individual income tax return;

(4) Farm Income

Prior to passage of Senate Bill 30, subsection (c)(xx) provided a subtraction modification for farm income reported on federal Schedule F and line 18 of federal Form 1040. Under federal law, Schedule E is used to report net farm profit. Now, this modification is limited to tax years beginning after December 31, 2012, and ending before January 1, 2017. As a result, this income may no longer be subtracted from federal adjusted gross income when calculating Kansas income tax. Specifically, the statute now provides:

(c) There shall be subtracted from federal adjusted gross income:

(xx) For ~~all~~ taxable years beginning after December 31, 2012, *and ending before January 1, 2017*, the amount of any: (3) net farm profit as determined under the federal internal revenue code and reported from schedule F and on line 18 of the taxpayer's form 1040 federal income tax return;

(5) Draft, Breeding, Dairy Animals, and Animals Used for Sporting Purposes

Prior to passage of Senate Bill 30, subsection (c)(xxii) provided a subtraction modification for net gain from the sale of breeding animals subject to depreciation. Now, this modification is limited to tax years beginning after December 31, 2012, and ending before January 1, 2017. As a result, this income may no longer be subtracted from federal adjusted gross income when calculating Kansas income tax. Specifically, the statute now provides:

(xxii) For ~~all~~ taxable years beginning after December 31, 2012, *and ending before January 1, 2017*, the amount of net gain from the sale of: (1) Cattle and horses, regardless of age, held by the taxpayer for draft, breeding, dairy or sporting purposes, and held by such taxpayer for 24 months or more from the date of acquisition; and (2) other livestock, regardless of age, held by the taxpayer for draft, breeding, dairy or sporting purposes, and held by such taxpayer for 12 months or more from the date of acquisition. The subtraction from federal adjusted gross income shall be limited to the amount of the additions recognized under the provisions of subsection (b)(xix) attributable to the business in

which the livestock sold had been used. As used in this paragraph, the term “livestock” shall not include poultry.

(5) Christmas Trees

Prior to passage of Senate Bill 30, subsection (c)(xxiv) provided a subtraction modification for net gain from the sale of Christmas trees. Now, this modification is limited to tax years beginning after December 31, 2012, and ending before January 1, 2017. As a result, this income may no longer be subtracted from federal adjusted gross income when calculating Kansas income tax. Specifically, the statute now provides:

(xxiv) For ~~all~~ taxable years beginning after December 31, 2013, and ending before January 1, 2017, the net gain from the sale from Christmas trees grown in Kansas and held by the taxpayer for six years or more.

Overall Effect of Changes

The changes made to K.S.A. 79-32,117 by Section 5 of Senate Bill 30 make certain nonwage income subject to Kansas income tax by eliminating the ability to subtract it from federal adjusted gross income in calculating Kansas adjusted gross income, while at the same time permitting certain losses and deductions to be subtracted. The overall effect is to tax nonwage business income while allowing related losses and deductions to be offset against any taxable income.

Estimated Tax Payments

As noted above, Kansas tax law changes made in 2012 stated that beginning after December 31, 2012, certain categories of nonwage business income were exempt from income tax. As a result, taxpayers receiving this nonwage business income were no longer required to make estimated tax payments, and have not made such payments for the last several years. The provisions of Senate Bill 30 change this, so **taxpayers receiving nonwage business income should immediately begin making estimated tax payments.**

The Department strongly encourages all taxpayers receiving nonwage business income to make estimated tax payments for tax year 2017, and to review their personal tax situation with their tax preparer or tax professional. Making estimated payments now will help avoid a large, unpaid tax bill later.

For additional information regarding estimated tax payment for nonwage business income, please see our Notice 17-09.

Taxpayer Assistance

Additional copies of this notice, forms or publications are available from our web site, **www.ksrevenue.org**. If you have questions about this Notice, please contact:

Taxpayer Assistance Center
Kansas Department of Revenue
Topeka, KS 66612-1588
Phone: 785-368-8222
Hearing Impaired TTY: 785-296-6461
Fax: 785-291-3614

NOTICE 17-04

CHANGES TO INDIVIDUAL LOW INCOME EXCLUSION (JULY 1, 2017)

The 2017 Legislature enacted an income tax increase via Senate Bill 30. Section 4 of the Bill amends K.S.A. 79-32,110, the statute which establishes the rates of income tax in Kansas.

In addition to adjusting the rates of tax, Section 4 of the Bill also lowers the income level at which certain individuals are exempt from Kansas income tax, starting with tax year 2018. Beginning in tax year 2018 the low income exclusion is reduced to \$5,000 for married individuals filing a joint return, and to \$2,500 for all other taxpayers. The amended provision, subsection (e), now provides:

(e) Notwithstanding the provisions of subsections (a) and (b): (1) For tax ~~year~~ years 2016 ~~and all tax years thereafter~~ and 2017, married individuals filing joint returns with taxable income of \$12,500 or less, and all other individuals with taxable income of \$5,000 or less, shall have a tax liability of zero; and (2) for tax year 2018, and all tax years thereafter, married individuals filing joint returns with taxable income of \$5,000 or less, and all other individuals with taxable income of \$2,500 or less, shall have a tax liability of zero.

The Kansas taxable income of an individual (see K.S.A. 79-32,116) is computed by adding or subtracting any Kansas modifications (see K.S.A. 79-32,117) to or from his or her federal adjusted gross income (to arrive at their Kansas adjusted gross income) and then subtracting his or her Kansas deductions and personal exemptions.

Taxpayer Assistance

Additional copies of this notice, forms or publications are available from our web site, www.ksrevenue.org. If you have questions about this Notice, please contact:

Taxpayer Assistance Center
Kansas Department of Revenue
Topeka, KS 66612-1588
Phone: 785-368-8222
Hearing Impaired TTY: 785-296-6461
Fax: 785-291-3614

NOTICE 17-05

NET OPERATING LOSSES FOR INDIVIDUALS (JULY 1, 2017)

The calculation of an individual's Kansas income tax starts with federal adjusted gross income. Certain modifications, either additions or subtractions, required by K.S.A. 79-32,117 are then made to arrive at Kansas adjusted gross income.

The 2017 Legislature enacted Senate Bill 30 which makes modifications to state income tax rates and other changes. Section 5 of the Bill amends K.S.A. 79-32,117(b)(iii) to provide that for tax years beginning after December 31, 2016, there is no requirement for an individual to add-back a federal net operating loss as an addition modification. The amended provision states:

(b) There shall be added to federal adjusted gross income:

(iii) The federal net operating loss deduction, except that the federal net operating loss deduction shall not be added to an individual's federal adjusted gross income for tax years beginning after December 31, 2016.

The effect of this amendment is to allow a federal net operating loss taken on an individual's federal Form 1040 to "flow through" to Kansas.

The amendment made by Senate Bill 30 reverses changes made during the 2012 Legislative Session. As explained in Notice 12-08, those changes provided:

- 1) The net operating deduction for individuals was eliminated starting in tax year 2013.
- 2) An individual was not allowed to carry net operating losses forward to tax year 2013 or later years, or back to earlier years.
- 3) The requirement to add-back a federal net operating loss as an addition modification remained in effect.

It should be noted that the amendment in Senate Bill 30 does not change the manner in which prior year net operating losses are treated. Except as permitted or required on their federal income tax return for tax years beginning after December 31, 2016, an individual may not carry a prior year net operating loss forward to tax year 2013 or later years, or back to any earlier tax year.

Taxpayer Assistance

Additional copies of this notice, forms or publications are available from our web site, www.ksrevenue.org. If you have questions about this Notice, please contact:

Taxpayer Assistance Center
Kansas Department of Revenue
Topeka, KS 66612-1588
Phone: 785-368-8222
Hearing Impaired TTY: 785-296-6461
Fax: 785-291-3614

NOTICE 17-06

**ITEMIZED DEDUCTIONS FOR INDIVIDUAL INCOME TAX
(JULY 1, 2017)**

The 2017 Legislature enacted Senate Bill 30, which makes changes to Kansas income tax law. Section 6 of the Bill amends K.S.A. 79-32,120 which allows itemized deductions for individuals.

The new language provides for a phased-in expansion of the amount of itemized deductions currently allowed. This includes charitable contributions, interest on a residential mortgage, and real and personal property taxes. In addition, the amendments allow medical expenses to be claimed as an itemized deduction. The phased-in increases and new allowance start with tax years beginning on and after January 1, 2018. As amended, the statute now provides:

(a)(1) If federal taxable income of an individual is determined by itemizing deductions from such individual's federal adjusted gross income, such individual may elect to deduct the Kansas itemized deduction in lieu of the Kansas standard deduction.

(2) For the tax year commencing on January 1, 2013, the Kansas itemized deduction of an individual means 70% of the total amount of deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section.

(3) For the tax year commencing on January 1, 2014, the Kansas itemized deduction of an individual means 65% of the total amount of deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section.

(4) For the tax years commencing on and after January 1, 2015, *and ending before January 1, 2018*, the Kansas itemized deduction of an individual means the following deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section: (A) 100% of charitable contributions that qualify as charitable contributions allowable as deductions in section 170 of the federal internal revenue code; (B) 50% of the amount of qualified residence interest as provided in section 163(h) of the federal internal revenue code; and (C) 50% of the amount of taxes on real and personal property as provided in section 164(a) of the federal internal revenue code.

(5) For the tax year commencing on and after January 1, 2018, and ending before January 1, 2019, the Kansas itemized deduction of an individual means the following deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section: (A) 100% of charitable contributions that qualify as charitable contributions allowable as deductions in section 170 of the federal internal revenue code; (B) 50% of expenses for medical care allowable as deductions in section 213 of the federal internal revenue code; (C) 50% of the amount of qualified residence interest as provided in section 163(h) of the federal internal revenue code; and (D) 50% of the amount of taxes on real and personal property as provided in section 164(a) of the federal internal revenue code.

(6) For the tax year commencing on and after January 1, 2019, and ending before January 1, 2020, the Kansas itemized deduction of an individual means the following deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section: (A) 100% of charitable contributions that qualify as charitable contributions allowable as deductions in section 170 of the federal internal revenue code; (B) 75% of expenses for medical care allowable as deductions in section 213 of the federal internal revenue code; (C) 75% of the amount of qualified residence interest as provided in section 163(h) of the federal internal revenue code; and (D) 75% of the amount of taxes on real and personal property as provided in section 164(a) of the federal internal revenue code.

(7) For the tax years commencing on and after January 1, 2020, the Kansas itemized deduction of an individual means the following deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section: (A) 100% of charitable contributions that qualify as charitable contributions allowable as deductions in section 170 of the federal internal revenue code; (B) 100% of expenses for medical care allowable as deductions in section 213 of the federal internal revenue code; (C) 100% of the amount of qualified residence interest as provided in section 163(h) of the federal internal revenue code; and (D) 100% of the amount of taxes on real and personal property as provided in section 164(a) of the federal internal revenue code.

(b) The total amount of deductions from federal adjusted gross income shall be reduced by the total amount of income taxes imposed by or paid to this state or any other taxing jurisdiction to the extent that the same are deducted in determining the federal itemized deductions and by the amount of all depreciation deductions claimed for any real or tangible personal property upon which the deduction allowed by K.S.A. 2016 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-32,255 or 79-32,256, and amendments thereto, is or has been claimed.

Taxpayer Assistance

Additional copies of this notice, forms or publications are available from our web site, www.ksrevenue.org. If you have questions about this Notice, please contact:

Taxpayer Assistance Center
Kansas Department of Revenue
Topeka, KS 66612-1588
Phone: 785-368-8222
Hearing Impaired TTY: 785-296-6461
Fax: 785-291-3614



NOTICE 17-07

CREDIT FOR CHILD AND DEPENDENT CARE (JULY 1, 2017)

The 2017 Legislature enacted Senate Bill 30, which makes changes to Kansas income tax law. New Section 1 of the Bill creates a credit for child and dependent care expenses that may be allowed against the tax liability of an individual who is a Kansas resident.

Internal Revenue Code Section 21 (26 U.S. Code § 21) allows a federal credit for expenses for the care of a qualifying individual to enable a taxpayer to work or actively look for work. The Kansas credit is based on the amount of federal credit allowed against the taxpayer's federal income tax liability. The Kansas credit is limited to the amount of Kansas tax due, after all other credits have been allowed. It is not refundable.

In order to qualify for the credit the individual claiming the credit, their spouse, and every dependent of the individual must have a valid social security number that has been issued to them by the social security administration.

The new credit is effective starting with tax year 2018, increases for tax year 2019, and increases again for tax year 2020 and all tax years thereafter.

New Section 1 provides of the Bill provides:

(a) There shall be allowed as a credit against the tax liability of a resident individual imposed under the Kansas income tax act an amount equal to 12.5% for tax year 2018; an amount equal to 18.75% for tax year 2019; and an amount equal to 25% for tax year 2020, and all tax years thereafter, of the amount of the credit allowed against such taxpayer's federal income tax liability pursuant to 26 U.S.C. § 21 for the taxable year in which such credit was claimed against the taxpayer's federal income tax liability.

(b) The credit allowed by subsection (a) shall not exceed the amount of the tax imposed by K.S.A. 79-32,110, and amendments thereto, reduced by the sum of any other credits allowable pursuant to law.

(c) No credit provided under this section shall be allowed to any individual who fails to provide a valid social security number issued by the social security administration, to such individual, the individual's spouse and every dependent of the individual.

Taxpayer Assistance

Additional copies of this notice, forms or publications are available from our web site, www.ksrevenue.org. If you have questions about this Notice, please contact:

Taxpayer Assistance Center
Kansas Department of Revenue
Topeka, KS 66612-1588
Phone: 785-368-8222
Hearing Impaired TTY: 785-296-6461
Fax: 785-291-3614

NOTICE 17-08

**TAX CREDIT FOR LOW INCOME STUDENTS SCHOLARSHIP
(JULY 1, 2017)**

During the 2017 Legislative Session Senate Bill 19 was enacted. The Bill amends the tax credit that is available for certain contributions to a scholarship granting organization which provides eligible students with scholarships to pay all or a portion of the tuition to attend a qualified school in Kansas. Please see Notice 14-14 for additional information regarding this program and credit.

Section 96 of the Bill amends K.S.A. 72-99a02 to change the definition of an “eligible student”, effective July 1, 2018. As amended, subsection (d) provides:

(d) “Eligible student” means a child who:

(1)(A) ~~Qualifies as an at-risk pupil as defined in K.S.A. 72-6407, prior to its repeal~~ Is an at-risk student, as defined in section 4, and amendments thereto, and who is attending a public school; or (B) has been eligible to receive an educational scholarship under this program and has not graduated from high school or reached 21 years of age;

(2) resides in Kansas while eligible for an educational scholarship; and

(3) (A) was enrolled in any public school in the previous school year in which an educational scholarship is first sought for the child; or (B) is eligible to be enrolled in any public school in the school year in which an educational scholarship is first sought for the child and the child is under the age of six years.

As noted in the new language, Section 4 of the Bill defines the term “at-risk student”. It provides

(c)(1) “At-risk student” means a student who is eligible for free meals under the national school lunch act, and who is enrolled in a school district that maintains an approved at-risk student assistance program.

(2) The term “at-risk student” shall not include any student enrolled in any of the grades one through 12 who is in attendance less than full time, or any student who is over 19 years of age. The provisions of this paragraph shall not apply to any student who has an individualized education program.

Section 96 also amends K.S.A. 72-99a02 to change the definitions of “public school” and “qualified school”. As amended, subsections (g) and (h) provide:

(g) “Public school” means a school that ~~would qualify as either a title I focus school or a title I priority school as described by the state board under the elementary and secondary education act flexibility waiver as amended in January 2013 and~~ is operated by a school district, and identified by the state board as one of the lowest 100 performing schools with respect to student achievement among all schools operated by school districts for the current school year.

(h) “Qualified school” means any nonpublic school that provides education to elementary or secondary students, has notified the state board of its intention to participate in the program and complies with the requirements of the program. On and after July 1, 2020, a qualified school shall be accredited by the state board or a national or regional accrediting agency that is recognized by the state board for the purpose of satisfying the teaching performance assessment for professional licensure.

The scholarship program is financed through a tax credit in an amount equal to 70% of the amount contributed for scholarships. Under prior law, the credit could be claimed against corporate income, premium (insurance companies) or privilege (financial institutions) tax liability. Effective for tax years commencing after December 31, 2016, the credit is also available to individual income taxpayers. Contributions from individual income taxpayers can begin on July 1, 2017. Also effective for tax years commencing after December 31, 2016, the total amount of contributions for any taxpayer cannot exceed \$500,000 for any tax year. The new language, which amends K.S.A. 2016 Supp. 72-99a07(a) provides:

(a) (1) There shall be allowed a credit against the corporate income tax liability imposed upon a taxpayer pursuant to the Kansas income tax act, the privilege tax liability imposed upon a taxpayer pursuant to the privilege tax imposed upon any national banking association, state bank, trust company or savings and loan association pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, and the premium tax liability imposed upon a taxpayer pursuant to the premiums tax and privilege fees imposed upon an insurance company pursuant to K.S.A. 40-252, and amendments thereto, for tax years commencing after December 31, 2014, and ending before January 1, 2017, an amount equal to 70% of the amount contributed to a scholarship granting organization authorized pursuant to K.S.A. 2016 Supp. 72-99a01 et seq., and amendments thereto.

(2) There shall be allowed a credit against the tax liability imposed upon a taxpayer pursuant to the Kansas income tax act, the privilege tax liability imposed upon a taxpayer pursuant to the privilege tax imposed upon any national banking association, state bank, trust company or savings and loan association pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, and the premium tax liability imposed upon a taxpayer pursuant to the premiums tax and privilege fees imposed upon an insurance company pursuant to K.S.A. 40-252, and amendments thereto, for tax years commencing after December 31, 2016, an amount equal to 70% of the amount contributed to a scholarship granting organization authorized pursuant to K.S.A. 2016 Supp. 72-99a01 et seq., and amendments thereto. In no event shall the total amount of contributions for any taxpayer allowed under this subsection exceed \$500,000 for any tax year.

Taxpayer Assistance

Additional copies of this notice, forms or publications are available from our web site, www.ksrevenue.org. If you have questions about this Notice, please contact:

Taxpayer Assistance Center
Kansas Department of Revenue
Topeka, KS 66612-1588
Phone: 785-368-8222
Hearing Impaired TTY: 785-296-6461
Fax: 785-291-3614

NOTICE 17-09

ESTIMATED TAX PAYMENTS FOR NONWAGE BUSINESS INCOME (JULY 1, 2017)

The 2017 Kansas Legislature made substantial changes to income tax law including, specifically, K.S.A. 79-32,117. The effect of these changes (contained in Senate Bill 30) is to make nonwage business income subject to Kansas income tax. The new law does this by making changes to several addition and subtraction modifications. Please see Notice 17-03 for more specific information.

Kansas tax law changes made in 2012 stated that beginning after December 31, 2012, certain categories of nonwage business income were exempt from income tax. As a result, taxpayers receiving this nonwage business income were no longer required to make estimated tax payments, and have not made such payments for the last several years. The provisions of Senate Bill 30 change this, so **taxpayers receiving nonwage business income should immediately begin making estimated tax payments.**

Section 5 of Senate Bill 30 essentially reverses the 2012 changes. Generally, for tax years beginning after December 31, 2016, the following nonwage business income will be subject to Kansas income tax:

- Income paid to stockholders in banks and savings and loans
- “Business income”, including income reported by sole proprietors and to individuals considered statutory employees, reported on federal Schedule C and line 12 of federal Form 1040
- Income received from certain types of entities, including income received from partnerships, S corporations, limited liability companies, estates and trusts, and certain types of income, including income from rental real estate, royalties, residual interests in real estate mortgage investment conduits, and net farm rental, reported on federal Schedule E and line 17 of federal Form 1040
- Farm income reported on federal Schedule F and line 18 of federal Form 1040
- Net gain from the sale of draft, breeding, dairy animals, and animals used for sporting purposes subject to depreciation
- Net gain from the sale of Christmas trees

Like the federal tax system, the Kansas tax system is designed so that income tax is remitted as income is earned. While income earned as wages is generally subject to withholding, most income other than

wages is not usually subject to withholding. As a result, an individual who receives non-wage income should make estimated tax payments. An estimated payment is a direct payment to the Department of the estimated amount of tax due on income that has been received.

Individuals receiving nonwage income that is now subject to tax because of the amendments made in Section 5 of Senate Bill 30 should begin making estimated tax payments immediately. And, because the effective date of the amendments is retroactive to January 1, 2017, consideration should be given to increasing the amount of the estimated payment(s) in order to “catch-up” with the amount of tax had payments been made for the first two quarters of the tax year. Failure to make these estimated payments could result in having to pay a significant amount of income tax being due in April of 2018 when filing the 2017 income tax return.

Usually, failure to make estimated tax payments in a timely fashion will result in a penalty being imposed. However, this legislation specifically provides that a penalty will not be imposed if all of the tax that was underpaid as a result of changes made by the legislation is paid by April 17, 2018, which is the due date of 2017 calendar year income tax returns. Section 4 of the Bill amends K.S.A. 79-32,117 by adding subsection (f) which states:

(f) No taxpayer shall be assessed penalties and interest arising from the underpayment of taxes due to changes to the rates in subsection (a) that became law on July 1, 2017, so long as such underpayment is rectified on or before April 17, 2018.

Despite the fact no penalty will be imposed for failing to make estimated tax payments, the Department strongly encourages all taxpayers receiving nonwage business income to make estimated tax payments for tax year 2017, and to review their personal tax situation with their tax preparer or tax professional. Making estimated payments now will help avoid a large, unpaid tax bill later.

To access the Kansas estimated tax form, K40-ES, please visit our website at:
<https://ksrevenue.org/pdf/k-40es17.pdf>

Taxpayer Assistance

Additional copies of this notice, forms or publications are available from our web site, **www.ksrevenue.org**. If you have questions about this Notice, please contact:

Taxpayer Assistance Center
Kansas Department of Revenue
Topeka, KS 66612-1588
Phone: 785-368-8222
Hearing Impaired TTY: 785-296-6461
Fax: 785-291-3614

NOTICE 17-10
WITHHOLDING TAX DUE DATE CHANGES
(JULY 1, 2017)

During the 2017 Legislative Session House Bill 2212 was passed and signed into law. Section 6 of the Bill amends K.S.A. 79-3298 to advance the date by which those deducting and withholding tax must file a return with the Department of Revenue from the last day of February to January 31st. Section 7 of the Bill amends K.S.A. 79-3299 to advance the date by which those deducting and withholding tax must provide statements of the amount withheld to employees or payees from the last day of February to January 31st.

K.S.A. 79-3298 establishes due dates for those deducting and withholding tax to remit the tax, and to filing returns with the Department of Revenue. Subsection (c) of the statute establishes the due date for filing a return. As amended, this subsection now provides:

(c) Every employer, payer, person or organization deducting and withholding tax and making remittances pursuant to subsection (a) shall file a return on a form or in the format and shall file in the manner prescribed by the director, including electronic filing, for each calendar year on or before ~~the last day of February~~ January 31 of the following year.

K.S.A. 79-3299 requires those deducting and withholding tax to provide a statement of the amount of wages or payments other than wages subject to Kansas income tax paid during the preceding year, the total amount of tax withheld, and any other required information, to employees or payees. Subsection (a) of the statute establishes the due date for providing these statements. As amended, this subsection now provides:

(a) Every employer, payer, person or organization deducting and withholding tax, on or before January 31 of each year, shall prepare a statement for each employee or payee on a form prescribed by the director stating the amount of wages or payments other than wages subject to Kansas income tax paid during the preceding year, the total amount of tax withheld, if any, from such wages or payments other than wages by the employer, payer, person or organization pursuant to this act and such other information as may be prescribed by the director. One copy of such statement shall be filed by the employer, payer, person or organization with the division of taxation on or before ~~the last day of February~~ January 31 of each year. Except as otherwise provided, if the employer, payer, person or organization files statements which report such withholding information for 51 or more employees or payees, the statements shall be filed by electronic means. If filing such statements by electronic means would be a hardship for any such employer, payer, person or organization, the secretary may permit such statements to be filed other than by electronic means. Two copies of such statement shall be given to the employee or payee concerned, one of which will be filed by the employee or payee with the tax return required by this chapter.

The effect of the amendments is that Form KW-3, Annual Kansas Withholding Tax Return, for tax year 2017 will be due January 31, 2018. All W-2s and 1099s for tax year 2017 must also be submitted to the Department of Revenue by January 31, 2018.

Taxpayer Assistance

Additional copies of this notice, forms or publications are available from our web site, www.ksrevenue.org. If you have questions about this Notice, please contact:

Taxpayer Assistance Center
Kansas Department of Revenue
Topeka, KS 66612-1588
Phone: 785-368-8222
Hearing Impaired TTY: 785-296-6461
Fax: 785-291-3614

NOTICE 17-11

SALES TAX FILING AND REMITTANCE FREQUENCY THRESHOLDS ADJUSTED (JULY 1, 2017)

During the 2017 Legislative Session House Bill 2212 was passed and signed into law. Section 9 of the Bill amends K.S.A. 79-3607 to adjust the frequency for making returns and remitting sales tax that has been collected, based on the amount of tax that has been collected by the retailer.

Under prior law, a retailer who did not collect more than \$80 in any calendar year was required to file a return by January 25th of the following year, and to remit the tax at the time of filing the return. This threshold has now been increased to \$400.

Under prior law, a retailer who collected more than \$80 but less than or equal to \$3,200 in any calendar year was required to file returns by the 25th day of the month following the end of each calendar quarter, and to remit the tax at the time of filing the return. This threshold has now been increased to \$4,000.

Under prior law, a retailer who collected more than \$3,200 but less than or equal to \$32,000 in any calendar year was required to file a return for each month, by the 25th day of the following month, and to remit the tax at the time of filing the return. This threshold has now been increased to \$40,000.

Under prior law, a retailer who collected more than \$32,000 in any calendar year was required to pay the tax due for the first 15 days of the month, along with any amount due for the preceding month, by the 25th day of that month, and to submit a return for the preceding month at that time. The retailer was required to pay the tax due for the remainder of the month when they filed the return for the month in which the tax was collected. This threshold has now been increased to \$40,000.

As amended, this subsection now provides:

(a) Retailers shall make returns to the director at the times prescribed by this section in the manner prescribed by the director, including electronic filing, upon forms or format prescribed by the director stating: (1) The name and address of the retailer; (2) the total amount of gross sales of all tangible personal property and taxable services rendered by the retailer during the period for which the return is made; (3) the total amount received during the period for which the return is made on charge and time sales of tangible personal property made and taxable services rendered prior to the period for which the return is made; (4) deductions allowed by law from such total amount of gross sales and from total amount received during the period for which the return is made on such charge and time sales; (5) receipts during the period for which the return is made from the total amount of sales of tangible personal property and taxable services rendered during such period in the course of such business, after deductions allowed by law have been made; (6) receipts during the period for which the return is made from charge and time sales of tangible personal property made and taxable services rendered prior to such period in the course of such business, after deductions allowed by law have been made; (7) gross receipts during the period for which the return is made from sales of tangible personal property and taxable services rendered in the course of such business upon the basis of which the tax is imposed. The return shall include such other pertinent information as the director may require. In making such return, the retailer shall determine the market value

of any consideration, other than money, received in connection with the sale of any tangible personal property in the course of the business and shall include such value in the return. Such value shall be subject to review and revision by the director as hereinafter provided. Refunds made by the retailer during the period for which the return is made on account of tangible personal property returned to the retailer shall be allowed as a deduction under ~~subdivision~~ paragraph (4) of this section in case the retailer has theretofore included the receipts from such sale in a return made by such retailer and paid taxes therein imposed by this act. The retailer shall, at the time of making such return, pay to the director the amount of tax herein imposed, except as otherwise provided in this section. The director may extend the time for making returns and paying the tax required by this act for any period not to exceed 60 days under such rules and regulations as the secretary of revenue may prescribe. When the total tax for which any retailer is liable under this act, does not exceed the sum of ~~\$80~~ \$400 in any calendar year, the retailer shall file an annual return on or before January 25 of the following year. When the total tax liability does not exceed ~~\$3,200~~ \$4,000 in any calendar year, the retailer shall file returns quarterly on or before the 25th day of the month following the end of each calendar quarter. When the total tax liability exceeds ~~\$3,200~~ \$4,000 in any calendar year, the retailer shall file a return for each month on or before the 25th day of the following month. When the total tax liability exceeds ~~\$32,000~~ \$40,000 in any calendar year, the retailer shall be required to pay the sales tax liability for the first 15 days of each month to the director on or before the 25th day of that month. Any such payment shall accompany the return filed for the preceding month. A retailer will be considered to have complied with the requirements to pay the first 15 days' liability for any month if, on or before the 25th day of that month, the retailer paid 90% of the liability for that fifteen-day period, or 50% of such retailer's liability in the immediate preceding calendar year for the same month as the month in which the fifteen-day period occurs computed at the rate applicable in the month in which the fifteen-day period occurs, and, in either case, paid any underpayment with the payment required on or before the 25th day of the following month. Such retailers shall pay their sales tax liabilities for the remainder of each such month at the time of filing the return for such month. Determinations of amounts of liability in a calendar year for purposes of determining filing requirements shall be made by the director upon the basis of amounts of liability by those retailers during the preceding calendar year or by estimates in cases of retailers having no previous sales tax histories. The director is hereby authorized to modify the filing schedule for any retailer when it is apparent that the original determination was inaccurate.

The amended provisions of the Bill are effective upon publication in the Kansas statutes, but retailers do not need to make any changes immediately. The Department of Revenue routinely conducts an annual review of all sales tax accounts to determine appropriate filing and remitting periods. By the end of October, 2017, the Department will notify all retailers whether their sales tax account has been affected by this legislation. Those retailers that are affected will begin filing sales tax returns and making remittance based on the new thresholds beginning in January of 2018.

Taxpayer Assistance

Additional copies of this notice, forms or publications are available from our web site, www.ksrevenue.org. If you have questions about this Notice, please contact:

Taxpayer Assistance Center
Kansas Department of Revenue
Topeka, KS 66612-1588
Phone: 785-368-8222
Hearing Impaired TTY: 785-296-6461
Fax: 785-291-3614

NOTICE 17-12

2017 LEGISLATIVE AMENDMENTS REGARDING CIGARETTES, ELECTRONIC CIGARETTES, CONSUMABLE MATERIAL AND OTHER TOBACCO PRODUCTS

The 2017 Legislature passed House Bill 2230 and Senate Bill 13, which make a number of amendments to the Cigarette and Tobacco Products Act. Below is a summary of those changes.

HOUSE BILL 2230

The bill added definitions for “Conspicuous location or place” and “Electronic Cigarette”. It also amended the definition of “Self-service display”. K.S.A. 79-3301.

The percentage of revenue from cigarettes and tobacco to be considered a “Tobacco specialty store” was amended from 75% to 65%. K.S.A. 79-3301.

KDOR may refuse to issue or renew a license or may suspend or revoke a license for specified reasons listed in the bill. K.S.A. 79-3303 and K.S.A. 79-3304.

Should your business receive a citation, the number of days you will have to request a hearing in writing, before the director, changed from 10 days to 30 days. K.S.A. 79-3309.

A Cigarette Wholesaler must be in good standing with the director at the time of purchasing tax stamps in order to receive a discount of stamps purchased. Additionally, any tax stamps returned for refund must be whole and complete stamps. K.S.A. 79-3311.

Cigarette Wholesalers and Tobacco Distributors are required to file electronically in the manner prescribed by the director. If you are not currently electronically filing, please contact our office for further instructions. K.S.A. 79-3316 and K.S.A. 79-3378.

An outlet, fuel outlet or fuel center owned by the same (licensed) entity are no longer required to have separate invoices if cigarettes are sold from the fuel outlet. However, the fuel center is still required to have a separate license if it has a different address than the store. For example, if a company owns a store that has a fuel center, you are no longer required to have separate invoices for cigarettes for the fuel center. K.S.A. 79-3316.

The number of cigarettes allowed without the required tax indicia was amended from 200 cigarettes to 1,000 cigarettes (5 cartons). Cigarettes in quantities of 1,000 or less in the possession of a licensee are not declared a common nuisance and contraband if the licensee has: (1) segregated the cigarettes from public view; (2) marked the cigarettes as not for retail sale to consumers; and (3) within 72 hours of receipt, notified the wholesale dealer in writing that the cigarettes do not bear indicia of Kansas tax and that the wholesale dealer shall remove the cigarettes from the licensee’s premise. K.S.A. 79-3323.

Certain violations of K.S.A. 79-3321 are misdemeanors for the first violation. For a second and subsequent violation, they are a severity level 6, nonperson felony. K.S.A. 79-3322.

CONSUMABLE MATERIAL

The effective date of the consumable material tax was amended to July 1, 2017. The tax rate was reduced from \$.20 per milliliter to \$.05 per milliliter. The definition of consumable material was changed to “any liquid solution or other material that is depleted as an electronic cigarette is used.” If you have previously remitted tax on consumable material, this tax will be considered a credit that can be applied to future tax reports, filed after July 1, 2017, until the credit is fully used. If you prefer to receive a refund, please contact our office. K.S.A. 79-3399.

SENATE BILL 13

Liquor stores will be allowed to sell cigarettes and other tobacco products, effective April 1, 2019. Those liquor stores that are wanting to sell cigarettes must apply for a license. However, applications will not be accepted until 2019. For a full text copy of these bills, please visit www.kslegislature.org.

If you have questions or need additional information, you may call 785-368-8222, choose option 5, then option 4, from 8 a.m. to 4:45 p.m., Central time, Monday through Friday; or you may email us at: kdor_cigtob@ks.gov.