



LEGISLATIVE CHANGES & ENACTMENTS

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NEW

KANSAS TAXPAYER PROTECTION ACT

SB 47
NOTICE 21-21

EFFECTIVE JANUARY 1, 2022



❖ Paid tax return preparers must sign any return prepared or partially prepared.

AND

❖ Must include the paid preparer federal preparer tax identification number (PTIN) on every return they prepared or partially prepared.

❖ A paid preparer who fails to include their signature and PTIN on a return is subject to \$50 civil penalty per return with maximum of \$25,000 per preparer per calendar year.

❖ Paid “tax return preparer” does NOT include

- 1) An individual licensed as a certified public accountant (CPA) in Kansas or another state and practicing in Kansas under K.S.A. 1-302b or 1-322 and amendments thereto;
- 2) An employee of a firm licensed in Kansas under K.S.A. 1-308 and under the supervision of a CPA.



**STANDARD
DEDUCTION FOR
INDIVIDUALS
INCREASED**

SB 50
NOTICE 21-02

EFFECTIVE TAX YEAR 2021



FILING STATUS	2021 STANDARD DEDUCTION
• Single	\$3,500
• Married filing separate	\$4,000
• Head of household	\$6,000
• Married filing joint	\$8,000



ITEMIZED DEDUCTIONS *for* individuals

SB 50
NOTICE 21-02
EFFECTIVE TAX YEAR 2021

- ❖ Individuals now have the option to claim either the Kansas standard deduction or the Kansas itemized deduction whether they itemized on their federal return or not.
- ❖ A separate Kansas Schedule A is required to be filed with the Kansas return to claim the Kansas itemized deductions.

Kansas Allowable Itemized Deductions

- | | |
|--|------|
| ❖ Qualified Charitable Contributions
<small>(as allowed in section 170 of the federal internal revenue code)</small> | 100% |
| ❖ Qualified Residence Interest
<small>(as provided in section 163(h) of the federal internal revenue code)</small> | 100% |
| ❖ Expenses for Medical Care
<small>(as allowable as deductions in section 213 of the federal internal revenue code)</small> | 100% |
| ❖ Taxes on Real and Personal Property
<small>(as provided in section 164(a) of the federal internal revenue code)</small> | 100% |

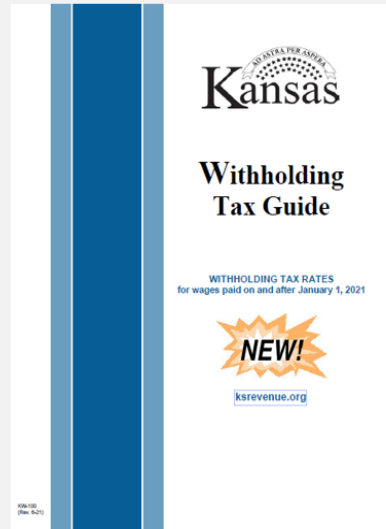
NEW

WITHHOLDING TAX TABLES UPDATED

SB 50
NOTICE 21-22

EFFECTIVE JANUARY 1, 2021

The Kansas withholding tax tables have been updated to reflect the increase in the standard deduction for individuals.



Withholding *for* Teleworkers

SB 47
NOTICE 21-03



EFFECTIVE
JANUARY 1, 2021 - DECEMBER 31, 2022

Employers that have employees temporarily teleworking in a state other than their primary work location during the COVID-19 pandemic

❖ Employers have the option to withhold income taxes based on an employee's primary work location and **not** the state where the employee is teleworking.



❖ To avoid an unexpected amount of tax owed to a state, an employee may need to make estimated tax payments into a state if that state's withholding tax for income in that state is not being withheld.

DISABLED ACCESS CREDIT

SB 66

NOTICE 21-04

Credit claimed on Schedule K-37

Effective tax year 2021

Credit is for resident individuals of Kansas who pay for all or a portion of construction to make their home accessible to individuals with disabilities. The home must be the disabled individual's principal dwelling or a home of a lineal ascendant or descendant.



- Maximum tax credit increased from \$9,000 to \$15,000, for home renovations made for a disabled family member's access.
- Increases FAGI limits and credit phases out by increments of 10% for each \$10,000 increase in FAGI.
- Credit may be refundable in the first, second, and third years equal to $\frac{1}{4}$, $\frac{1}{3}$, and $\frac{1}{2}$ of the credit, respectively.
- The maximum tax credit amount and tax liability threshold will be **indexed for inflation** using the same index calculation as the I.R.S.

KANSAS RURAL OPPORTUNITY ZONE (ROZ) CREDIT



SB 47

NOTICE 21-05

credit claimed on schedule K-89
(electronic filing only)

The ROZ program provides an income tax exemption for non-residents of Kansas who establish residency in a ROZ county.

- ROZ tax credit has been extended through tax year 2023.
- Student loan repayment program extended until 7/1/2023.
- For tax year 2021, ROZ county amended to be defined as counties with a population of 40,000 persons or less.
- For tax year 2021, 95 of Kansas' 105 counties qualify as rural opportunity zones.
- For tax year 2021, the 10 counties that are not ROZ counties are;
 - Butler, Douglas, Johnson, Leavenworth, Reno, Riley, Saline, Sedgwick, Shawnee, and Wyandotte.

HIGH PERFORMANCE INCENTIVE PROGRAM (HPIP)

SB 65

NOTICE 21-12

Effective for projects placed into service on and after January 1, 2021

Credit claimed on Schedule K-59

- **Training or Retraining no longer required to qualify for HPIP investment credit**
- **Transfer of Credit**
 - Taxpayer may transfer up to 50% of the qualified business facility investment credit.
 - Taxpayer must make transfer or transfers within a single tax year.
 - Transferee must claim credit in the year the credit was transferred.
 - Amount of credit that exceeds the tax liability may be carried forward.
 - 16 years from when the credit was initially claimed.
 - 16-year carryforward period starts at original investment date, not when the transferee receives the credit.



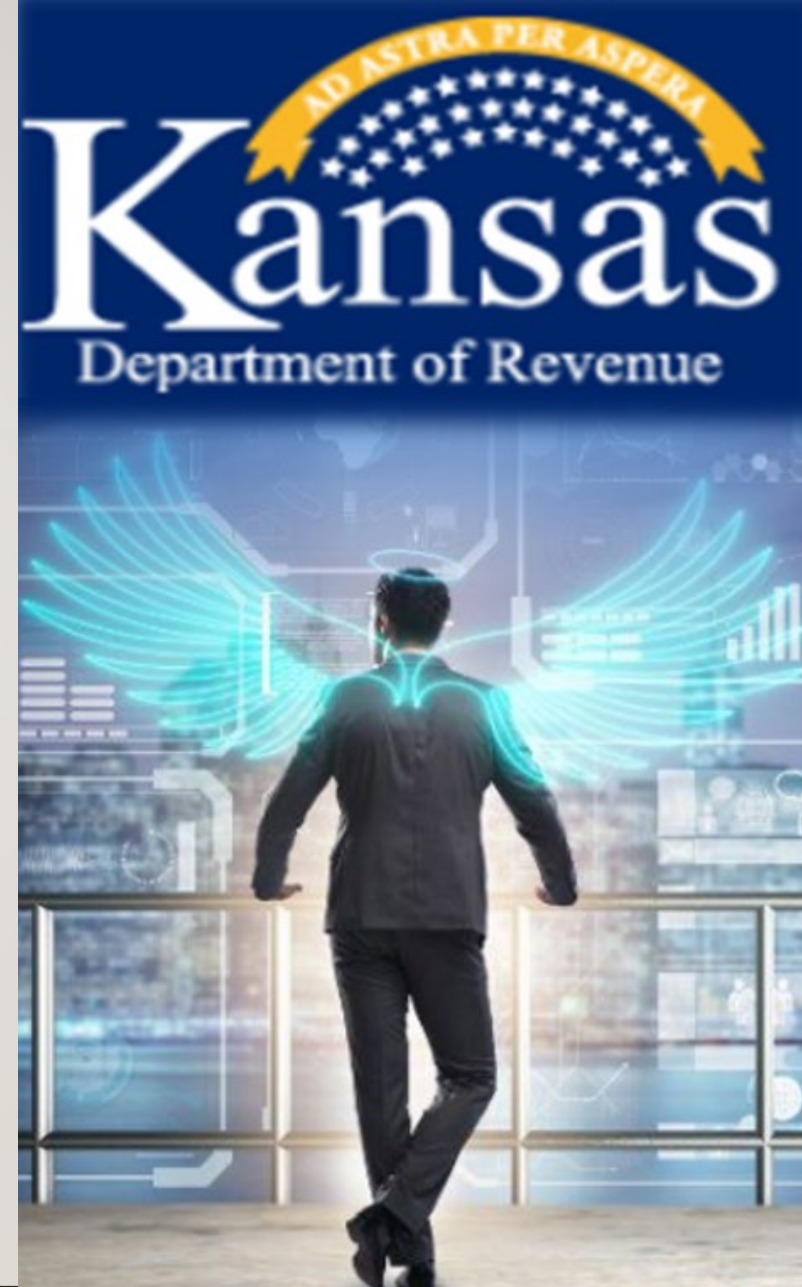
ANGEL INVESTOR CREDIT

SB 66

NOTICE 21-13

EFFECTIVE TAX YEAR 2021

- **For tax years 2021 and forward, amount transferred was changed to “up to” 50% of cash investment may be transferred**
 - investor must be without current tax liability at time of investment.
- **For tax year 2021 and all tax years thereafter, maximum value of credit changed**
 - For tax year 2021 and forward, maximum value of credit is “up to” 50% of the qualifying investment;
 - From \$50,000 to \$100,000 for a single Kansas business;
 - From \$250,000 to \$350,000 for a single qualified investor;
- **Annual credit limit**
 - \$6.0 million in tax years 2021 and 2022. Increase by \$500,000 each tax year thereafter through 2026.
- **CREDIT CLAIMED ON SCHEDULE K-30**



Non-corporate due dates

SB 47
NOTICE 21-09

Effective tax year 2020

Kansas income tax returns other than corporate tax returns are due the same date as the federal tax return including applicable extensions.

(tax year 2021 return due April 18, 2022)

Taxpayers will have extra time to file and pay income tax because the 16th of April falls on a Saturday in 2022, Friday, April 15, is an observed legal holiday in the District of Columbia (D.C.) for emancipation day. Under 26 U.S. Code § 7503 and Federal Notice 2011-17, by law, filing and payment deadlines that fall on a legal holiday are timely satisfied if met on the next business day. Under a federal statute enacted decades ago, holidays observed in the District of Columbia have an impact nationwide, not just in D.C. the IRS follows D.C.'s holidays for filing purposes and Kansas follows the IRS therefore the 2021 Kansas individual income tax return is due April 18, 2022.

FIRST TIME HOMEBUYERS SAVINGS ACCOUNT ACT

Effective tax year 2022

HB 2187 Notice 21-06

Individuals may open an account on or after **July 1, 2022**



- **INDIVIDUAL - Max annual contribution and subtraction modification up to \$3,000**
 - Maximum contributions for all tax years, up to \$24,000
- **MARRIED COUPLE filing a joint – Max annual contribution and subtraction modification up to \$6,000**
 - Maximum contributions for all tax years, \$48,000
- **"Financial institution"** means any
 - state bank,
 - state trust company,
 - savings and loan association,
 - federally chartered credit union doing business in this state,
 - credit union chartered by the state of Kansas,
 - national bank,
 - broker-dealer,
 - mutual fund,
 - insurance company or other similar financial entity qualified to do business in this state.
- **"First-time home buyer"** means an individual who:
 - (1) Has never owned or purchased under contract for deed, either individually or jointly, a single-family, owner-occupied primary residence including, but not limited to, a condominium unit or a manufactured or mobile home that was assessed and taxed as real property;
 - (2) as a result of the individual's dissolution of marriage, has NOT been listed on a property title for at least three consecutive years.

The Eisenhower Foundation and Friends of Cedar Crest Association Credits

SB 47

NOTICE 21-10 & NOTICE 21-11



New Credits

- **new nonrefundable tax credits for TY 2021 through 2025**
- **for income or privilege tax**
- **both credits are equal to 50% of contributions**
- **credits are capped at \$25,000 for any resident individual income taxpayer and \$50,000 for corporation and privilege taxpayers**
- **the total amount of credits claimed in any fiscal year is limited to \$350,000**



EXPENSING DEDUCTION

SB 50
NOTICE 21-08

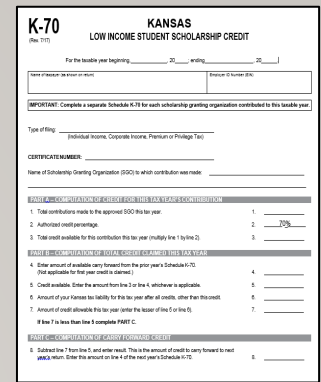
Effective tax year 2021

- Starting with tax year 2021 individual tax filers will be able to claim the Kansas expensing deduction.
- The expensing deduction is the difference between the depreciable cost of the property and the sum of the bonus depreciation, and the expensing deduction claimed under section 179 of federal I.R.C. multiplied by the applicable factor in Kansas statute.

Low Income Student Scholarship Act Tax Credit

HB 2134

Effective July 1, 2021



New Definition

❖ Eligible Student –

- must reside in Kansas;
- is eligible for free or reduced-price meals under the national school lunch act; and
- was enrolled in kindergarten or any of the grades one through eight in any public school in the previous school year in which an educational scholarship is first sought for the child; or 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; or
- has received an educational scholarship under the program and has not graduated from high school or reached the age of 21 years.

New Definition

- ❖ **Public School** – means any school **operated by a unified school district** under the laws of Kansas.

Limits:

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

Credit:

- ❖ **70%** of contributions for qualified scholarships. Available to:
 - Individual Income tax
 - Corporate income
 - Privilege tax
 - Premium 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 student's 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.
- ❖ **"Qualified school"** means:
 - VIRTUAL Class Now qualify as part of qualified School.**
 - **any nonpublic school** that provides education to elementary or secondary students;
 - is 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; and
 - complies with the requirements of the program.

Unemployment and other Compensation Secured by Identity Theft

SB 47 & SB 50
NOTICE 21-20

- An individual whose identity was fraudulently used to obtain unemployment compensation or other compensation, and that individual never received such compensation, need not include the compensation in their income for Kansas tax purposes.
- Fraudulently secured compensation can be reported on the Kansas Department of Revenue website.

Kansas Corporate Tax Due Date

SB 47 & SB 50
NOTICE 21-07

Effective tax year 2020

- Kansas Corporate tax returns are due no later than **one month after** the due date established by the federal internal revenue code including applicable extensions.
- No penalty if the return is filed **within one month after receiving an extension** to file a tax return with the internal revenue service. An extension request is not required for Kansas.

BUSINESS INCOME

**SB 50
NOTICE 21-08**

Effective tax year 2021

Global Intangible Low-Taxed Income (GILTI) – Subtraction modification for **100% of GILTI** under section 951A of federal I.R.C. (before deductions).

- Corporations' addition modification for any deductions claimed under section 250(a)(1)(B) of federal I.R.C. (add back to federal taxable income)

Business Interest Limitation Section 163(j) – New subtraction modification for business interest expense to the extent it is limited for federal purposes under I.R.C. 163(j).

- any carryforward claimed related to the **disallowance of interest expense** will need to be reported as an addition modification for Kansas purposes.

Business Meal Expenses – Subtraction modification for the amount of deduction that was **disallowed** on the federal return for meal expenditures under I.R.C. 274.

See Federal Notice 2021-25 for more information on qualifications

Capital Contributions – For taxable years commencing after December 31, 2020, for corporate income tax purposes, section 118 of the I.R.C. **shall be applied as in effect on December 31, 2017,** meaning that such contributions will be non-taxable for Kansas purposes as they were for federal purposes prior to Tax Cuts and Jobs Act of 2017 (TCJA).

BUSINESS INCOME

SB 50 CONT.
NOTICE 21-08

Net Operating Loss (NOL) Effective Tax Year 2018 – NOLs may now be carried forward indefinitely starting with losses incurred in tax year 2018. NOLs allowed in the same manner that is allowed under federal I.R.C. except may only be carried forward.

- NOLs are only available to **corporations**
- Must “add back” any federal NOL deduction to federal adjusted gross income.

INCOME AND PRIVILEGE TAX

NEW CREDIT

TECHNOLOGY-ENABLED FIDUCIARY

FINANCIAL INSTITUTIONS ACT

HB 2074

NOTICE 21-19

EFFECTIVE TAX YEAR 2021

- New credit for fiduciary financial institution ("fidfin,“).
- Credit is equal to the qualified charitable distributions made in connection with the fidfin activities.
- Fiduciary financial institution must maintain its principal office in an economic growth zone.
- Tax return must be timely filed, including any extension.
- Provide an annual report detailing qualified distributions during the year to the department of commerce.

Homestead

Last Changed in 2012 HB 2117

2021

MAXIMUM “HOUSEHOLD INCOME”
Indexed to inflation

HOMESTEAD

\$36,600

- ❖ 55 or older *or*;
- ❖ dependent under 18 *or*;
- ❖ totally & permanently disabled
- ❖ maximum refund **\$700**
- ❖ appraised valuation for property cannot exceed \$350,000 in any year

SAFESR

\$20,900

- ❖ 65 or older;
- ❖ **75% of property taxes paid**
- ❖ property taxes must be timely
- ❖ appraised valuation for property cannot exceed \$350,000 in any year

Homestead and Safe Senior Due date for tax year 2021
April 18, 2022

July 01, 2021
(Extended)

ENDS June 30, 2024

6/30/2021

HB 2143
SEE
NOTICE
21-15

**MANUFACTURER'S
REBATE ON
MOTOR VEHICLES**
(PAID DIRECTLY TO THE DEALER)

Exempt from Sales and Use Tax

- ❖ New sunset date is June 30, 2024.
- ❖ Rebate must be paid directly to the dealer.
- ❖ Must qualify as a motor vehicle as defined in K.S.A. 8-126 some of which include.
 - passenger vehicles
 - motorcycles
 - trucks
 - motor homes
- ❖ Rebates on trailers and non-highway vehicles remain taxable.
- ❖ Additional manufacturer rebates for items attached to the vehicle like running boards, brush guards, trailer hitches, etc. and paid directly to the dealer qualify for this exemption if included on original bill of sale for the purchase of motor vehicle.
- ❖ Report amount of qualified rebate included in gross receipts on sales tax return Part II line N, “other allowable deductions”.

MARKETPLACE FACILITATOR

SENATE BILL NO. 50

NOTICE 21-14

EFFECTIVE JULY 1, 2021

- More than \$100,000 of taxable sales in a calendar year to customers in Kansas effective July 1, 2021, *or*
- More than \$100,000 of taxable sales to customers in the state during the current or immediately preceding calendar year.
- Marketplace facilitators (MPF) are liable for sales and use tax and transient guest taxes, if applicable, starting July 1, 2021, once de minimis is met. Beginning April 1, 2022, MPF will also be responsible for collecting and remitting prepaid wireless 911 fees.
- If a business does not have more than \$100,000 of retail sales into Kansas in a calendar year and is not in any other way required to collect sales tax on their sales into Kansas, it is recommended that they notify customers of their obligation for consumers compensating use tax.
- Marketplace Facilitator can act as also make direct sales
- A Marketplace Facilitator can have a physical location in Kansas and be required to collect
 - Retail Sales Tax
 - Retailers Compensating Use Tax
 - Consumers Compensating Use Tax

REMOTE SELLER (NOT PHYSICALLY IN KANSAS)

SENATE BILL NO. 50

NOTICE 21-14

EFFECTIVE JULY 1, 2021

Safe Harbor or the threshold for collection of Kansas Sales Tax

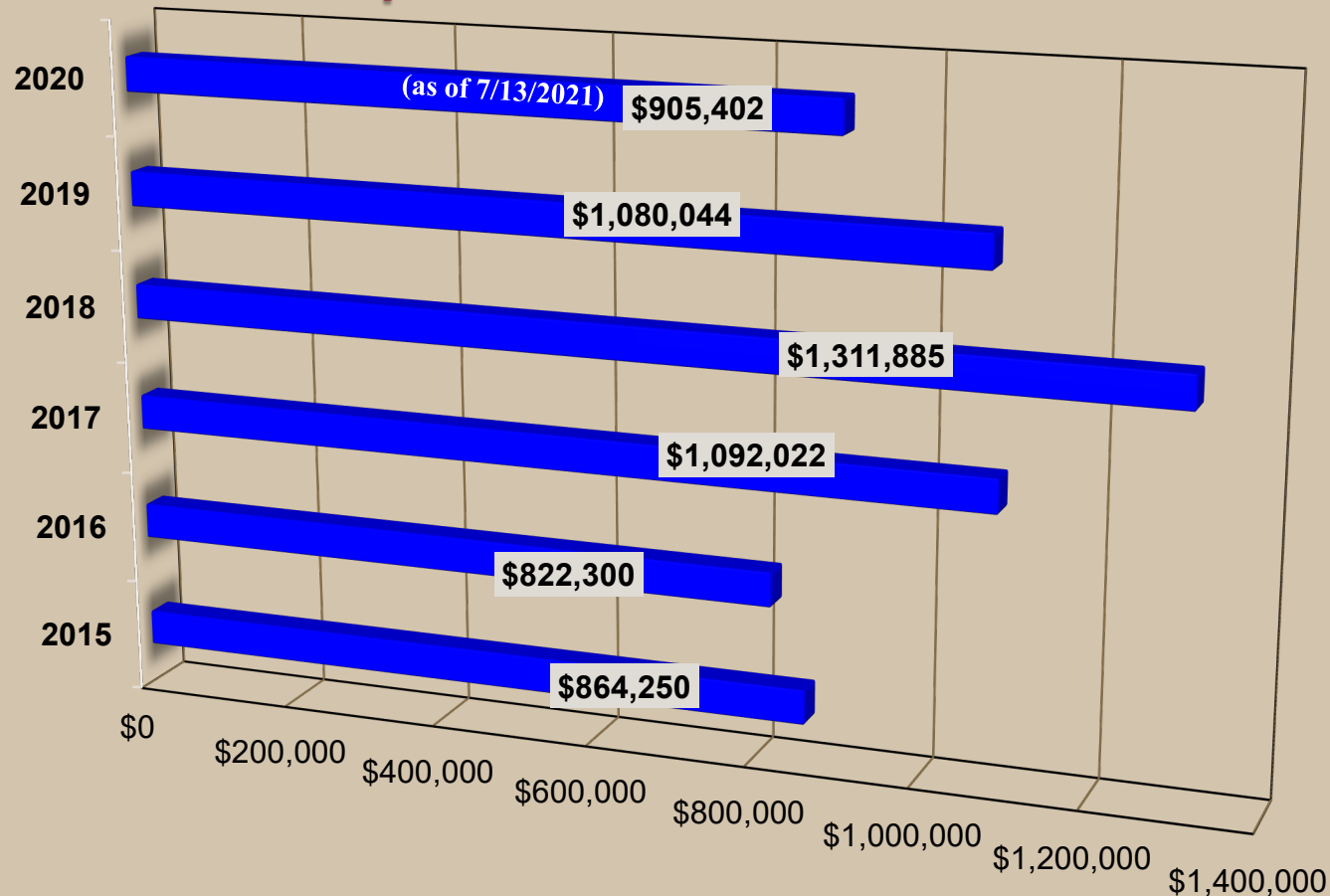
- A remote seller is an out-of-state seller with no physical presence in Kansas making sales into Kansas. A remote seller is required to register, collect, and remit Kansas sales tax if the remote seller had:
 - More than \$100,000 of cumulative gross receipts from sales to customers in Kansas during the calendar year effective January 1, 2021, or
 - More than \$100,000 of cumulative gross receipts from sales to customers in the state during the current or immediately preceding calendar year.
 - If a remote seller creates a physical presence in the state turning itself into a Kansas retailer.

If a business does not have more than \$100,000 of retail sales into Kansas in a calendar year and is not in any other way required to collect sales tax on their sales into Kansas, it is recommended that they notify their Kansas customers of their obligation for consumers compensating use tax.

COMPENSATING USE TAX

(K.S.A. 79-3703)

State and Local Use Tax Reported on the Kansas K-40



- ❖ The tax is on goods purchased by Kansans (**individuals** and **businesses**) from outside Kansas and used, stored, or consumed in Kansas when no sales tax was paid or the sales tax paid was less than the Kansas combined state and local rate.
- ❖ Use tax is due on out-of-state purchases whether the property is shipped into Kansas or picked up in another state and brought back to Kansas

Beginning with tax year 2022 the use tax line on the individual income tax return will be removed. (See 2021 Senate Bill 50)

PEER TO PEER (P2P) VEHICLE SHARING ACT

HB 2379

EFFECTIVE JANUARY 1, 2022

- “Peer-to-peer vehicle sharing program”- A business platform that connects shared vehicle owners with shared vehicle drivers to enable the sharing of vehicles for financial consideration.
- “Peer-to-peer vehicle sharing program” does not include:
 - a rental car company; (**no rental excise tax**)
 - a lessor, as defined in K.S.A. 50-656 (c) "Lessor" means any person or organization in the business of providing rental motor vehicles to the public;
 - a leased, temporarily loaned or borrowed vehicle owned by a new or used vehicle dealer licensed under the provisions of the Vehicle Dealers and Manufacturers Licensing Act (Act) or;
 - does not include the use of a vehicle that is used for demonstration purposes.
- “Peer-to-peer vehicle sharing” means the authorized use of a shared vehicle by an individual other than the shared vehicle’s owner through a P2P program:

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