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NOTICE 26-08

INCOME TAX SUBTRACTION MODIFICATION FOR CONTRIBUTIONS TO A PORTABLE BENEFIT PLAN FOR INDEPENDENT CONTRACTORS

(JULY 1, 2026)

During the 2026 Legislative Session House Bill 2602 was passed and signed into law. The Bill provides definitions, and amends K.S.A. 79-32,117, to create an income tax subtraction modification for contributions to a portable benefit plan for independent contractors.

New Section 1(a) of the Bill defines the terms: (1) “Bank”; (2) “Credit union”; (3) “Hiring party”; (4) “Independent contractor”; (5) “Portable benefit plan”; and (6) “Portable benefit plan provider”. The term “Portable benefit plan" is defined as a benefit plan that is administered by a third party chosen by the independent contractor and assigned to a beneficiary. The term does not include a benefit plan administered by a hiring party. The term “portable benefit plan provider” is defined as the administrator of a portable benefit account, and may be a bank, investment management firm, technology provider or program manager that offers services through a bank or investment management firm or a credit union.

New Section 1(b) provides the portable benefit plan provider is required to provide at least one of the following: health insurance, income replacement insurance; disability insurance; life insurance; or retirement benefits.

New Section 1(c) provides the hiring party may contribute funds to an independent contractor's portable benefit account using the funds of the independent contractor, funds of the hiring party, or a percentage of funds withheld from compensation owed to an independent contractor.

New Section 1(d) provides that contributions to a portable benefit account shall not be used as a criterion for determining a worker’s employment classification.

Section 2 of the bill amends K.S.A. 79-32,117(c) to provide for the tax treatment of funds contributed to a portable benefit plan.

New subsection (c)(xxxi) [new subsection (c)(xxxii) after reconciliation made by 2026 Senate Bill 300] amends K.S.A. 79-32,117(c) to provide, for all taxable years beginning after December 31, 2026, a subtraction modification for the amount contributed to a portable benefit plan by a hiring party taxpayer through the portable benefit plan account pursuant to New Section 1, to the extent that such contributions are not already deducted on the taxpayer’s federal income tax return for such taxable year when determining the taxpayer’s federal adjusted gross income or are not otherwise subtracted or deducted from the taxpayer’s federal adjusted gross income.

New subsection (c)(xxxii) [new subsection (c)(xxxiii) after reconciliation made by 2026 Senate Bill 300] amends K.S.A. 79-32,117(c) to provide, for all taxable years beginning after December 31, 2026, a subtraction modification for the amount contributed to a portable benefit plan pursuant to New Section 1(c)(1) or (2), and amendments thereto, to the extent that such amount is included in the independent contractor taxpayer's federal adjusted gross income.

The new law becomes effective July 1, 2026.

TAXPAYER ASSISTANCE

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