SENATE BILL No. 126
By Committee on Assessment and Taxation
2-7

Be it enacted by the Legislature of the State of Kansas:

New Section 1. (a) If a public utility as defined in K.S.A. 66-104, and amendments thereto, includes expenses related to income taxes as a component of its retail rates, the utility shall track any overcollection of such income tax expense if the income taxes assessed on such utility are reduced as a result of any changes in state or federal law.

(b) When any change in state or federal law that reduces the amount of incomes taxes assessed on a utility results in an overcollection of such utility's income tax expenses, such utility shall file new retail rates reflecting the lower income tax rates and promptly refund the tracked overcollected amounts to retail customers within 30 days of such change in state or federal law.

(c) For the purposes of this section, "overcollection of income tax expense" means the portion of utility revenue representing the difference between the cost of service as approved by the state corporation commission in the utility's most recent base rate proceeding and the cost of service that would have resulted had the provision for state or federal income taxes been based upon the reduced corporate income tax rate.

Sec. 2. K.S.A. 79-32,113 is hereby amended to read as follows: 79-32,113. (a) A person or organization exempt from federal income taxation under the provisions of the federal internal revenue code shall also be exempt from the tax imposed by this act in each year in which such person or organization satisfies the requirements of the federal internal revenue code for exemption from federal income taxation. If the exemption applicable to any person or organization under the provisions of the federal internal revenue code is limited or qualified in any manner, the exemption from taxes imposed by this article shall be limited or qualified in a similar manner.

(b) Notwithstanding the provisions of subsection (a) of this section, the unrelated business taxable income, as computed under the provisions of the federal internal revenue code, of any person or organization otherwise exempt from the tax imposed by this act and subject to the tax
imposed on unrelated business income by the federal internal revenue code shall be subject to the tax which would have been imposed by this act but for the provisions of subsection (a) of this section.

(c) In addition to the persons or organizations exempt from federal income taxation under the provision of the federal internal revenue code, there shall also be exempt from the tax imposed by this act, insurance companies, banks, trust companies, savings and loan associations, credit unions and any other organizations, entities or persons specifically exempt from Kansas income taxation under the laws of the state of Kansas.

(d) Notwithstanding the provisions of K.S.A. 79-32,110, and amendments thereto, for tax years 2019, 2020, 2021, and 2022, every electric and natural gas public utility as defined in K.S.A. 66-104, and amendments thereto, that is investor owned and subject to the jurisdiction of the state corporation commission shall: (1) Be exempt from the tax imposed by the Kansas income tax act; and (2) not collect, as a component of such utility’s retail rates, Kansas income tax expenses.

Sec. 3. K.S.A. 79-32,113 is hereby repealed.

Sec. 4. This act shall take effect and be in force from and after its publication in the Kansas register.