

SESSION OF 2021

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2106**

As Amended by Senate Committee of the Whole

**Brief\***

HB 2106, as amended, would amend income tax law related to fraudulently obtained income, income tax return filings, income tax withholding, and retirement and social security income.

The bill would be in effect upon publication in the *Kansas Register*.

***Fraudulent Compensation***

The bill would clarify that victims of identify theft would not owe Kansas individual income tax on any compensation that was fraudulently obtained by another individual and would require the Department of Revenue to provide a method for any taxpayer to report whether the taxpayer was a victim of fraud and the amount of fraudulent income for the taxpayer reported to the Internal Revenue Service.

***Income Tax Returns***

The bill would extend the deadline for the filing of Kansas corporation income tax returns to one month after the due date established under federal law. The bill would also provide that no late-filing penalty could be assessed on taxpayers filing state corporation income tax returns when the return is filed within 30 days after having received extensions to file federal returns by the Internal Revenue Service.

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\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

For all taxpayer returns other than corporate returns, the bill would provide for filing deadlines to be the due date established by the federal Internal Revenue Code, including any applicable extensions granted by the Internal Revenue Service.

The provisions of the bill would be applicable to returns for tax year 2020 and all future years.

### ***Income Tax Withholding***

The bill would provide that for tax year 2021, for wages paid to employees temporarily teleworking in a state other than their primary work location, employers would have the option to withhold income taxes based on the state of each employee's primary work location instead of the state where the employee in which the employee is teleworking.

### ***Social Security and Retirement Income***

The bill would, beginning in tax year 2021, exempt social security benefits and amounts received by retired individuals under all retirement plans from the Kansas income tax to the extent such income is included in federal adjusted gross income.

### **Background**

The bill was introduced by the House Committee on Taxation at the request of a representative of the Kansas Chamber of Commerce.

### ***House Committee on Taxation***

In the House Committee hearing on January 27, 2021, a representative of the Kansas Chamber of Commerce testified as a **proponent** of the bill, stating the bill would resolve a

conflict between state and federal filing deadlines in a way that would make state filings more practical for taxpayers.

Written-only **proponent** testimony was provided by a representative of the Council on State Taxation.

No other testimony was provided.

### ***Senate Committee on Assessment and Taxation***

In the Senate Committee hearing, a representative of the Kansas Chamber of Commerce testified as a **proponent** of the bill, stating the bill would resolve a conflict between state and federal filing deadlines in a way that would make state filings more practical for taxpayers.

Written-only **proponent** testimony was provided by a representative of the Council on State Taxation.

No other testimony was provided.

The Senate Committee amended the bill to conform the individual income tax return filing deadline to the federal deadline and to insert the provisions related to fraudulently obtained compensation and retirement income.

### ***Senate Committee of the Whole***

The Senate Committee of the Whole amended the bill to provide employers with withholding flexibility for certain employees and exempt social security benefits from Kansas income tax.

### **Fiscal Information**

A fiscal note on the amended bill was not immediately available.

Taxation; income tax; fraudulent compensation; retirement income; social security benefits