

February 27, 2013

The Honorable Richard Carlson, Chairperson  
House Committee on Taxation  
Statehouse, Room 285-N  
Topeka, Kansas 66612

Dear Representative Carlson:

**SUBJECT:** Fiscal Note for HB 2370 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2370 is respectfully submitted to your committee.

HB 2370 would modify the net operating loss deduction for Kansas income tax purposes. The bill would allow a Kansas net operating loss to be carried back three years if a net operating loss incurred from the sale at a loss of a historic hotel that was improved using funds borrowed on both the historic hotel and farmland, and previously, the farmland was sold at a gain to pay off the mortgage of the historic hotel. The bill requires that the historic hotel be located in a community with less than 2,500 citizens and be within 20 miles of the farmland. The bill would be retroactive to tax year 2006.

The Department of Revenue indicates HB 2370 would allow a single taxpayer to claim a refund for Kansas income taxes paid on the capital gains of farmland sold in a year prior to 2006, to help offset the capital loss that occurred from the sale of a small business in tax year 2006. The loss incurred by this taxpayer is a "capital loss." The Internal Revenue Service allows this type of capital loss to be claimed in the year it occurs. If it was a net operating loss, the IRS would allow a carry back and a carry forward of the loss, but Kansas would allow the loss only to be carried forward for ten years. The Department of Revenue indicates the bill would decrease state revenues to the State General Fund; however, without a waiver of confidentiality from the taxpayer as to such information, the Department cannot provide the specific amount of revenue loss. Any fiscal effect associated with HB 2370 is not reflected in *The FY 2014 Governor's Budget Report*.

Sincerely,



Steven J. Anderson, CPA, MBA  
Director of the Budget

cc: Steve Neske, Revenue