

SESSION OF 2014

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2557**

As Amended by Senate Committee on  
Assessment and Taxation

**Brief\***

HB 2557, as amended, would exempt from a 50 percent underpayment of liability penalty provided under current law certain income taxpayers who timely pay (generally within 30 days) any tax assessed pursuant to adjustments made by the Director of Taxation. In order to qualify for this exemption, taxpayers must have previously paid in full the amount of tax due as stated on the original returns.

The bill also would eliminate a requirement that certain losses reported on schedules C, E, and F of federal income tax form 1040 be added back to federal adjusted gross income prior to the determination of Kansas adjusted gross income for state income tax purposes.

**Background**

The original bill dealt with the penalty provision relative to certain income taxpayers. The House Committee of the Whole on February 18 amended the bill to incorporate a section that would have provided sales tax refunds for certain textbook purchases. The Senate Assessment and Taxation Committee on March 18 removed the textbook refund provision; and on March 19 inserted the elimination of certain loss add-backs before recommending that the bill be advanced, as amended.

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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>

Proponents of the original bill, including representatives of the Kansas Society of CPAs and the Kansas Chapter of the National Association of Tax Professionals, said the bill would help relieve burdensome penalties sometimes levied on taxpayers who have filed incorrect returns.

A fiscal note provided by the Department of Revenue on the original bill indicated the bill would be expected to reduce State General Fund receipts by \$0.5 million annually and would necessitate an additional \$156,700 in additional administrative costs for the Department of Revenue in FY 2015.

A representative of the Department of Revenue stated on March 19 that the elimination of the loss add-back provision would be expected to reduce receipts by as much as an additional \$60.0 million.