

SESSION OF 2013

**SUPPLEMENTAL NOTE ON SENATE BILL NO. 79**

As Amended by Senate Committee on  
Assessment and Taxation

**Brief\***

SB 79, as amended, would make a number of adjustments to income and severance tax provisions enacted in 2012.

One part of that 2012 legislation that requires taxpayers who are partners or Subchapter S corporation shareholders to compute a different adjusted basis for their partnership interests or Subchapter S stock for Kansas income tax purposes than they do for federal income tax purposes would be repealed.

Another provision would clarify that the 50-barrel-per-day threshold enacted in 2012 relative to being excluded from the new pool severance tax exemption for oil would be determined based on the initial six months of production from each well.

An additional section would clarify that for Kansas income tax purposes, the add back to federal adjusted gross income required of certain losses for Subchapter S corporations would not apply to those entities with wholly owned subsidiaries which are subject to the financial institutions privilege tax.

A number of other provisions are technical in nature and do not change state policy including: clarifying references to certain federal forms and schedules; adjusting provisions relating to itemized deductions and the food sales tax rebate

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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>

program; and correcting certain statutory references within the Kansas income tax code.

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

## **Background**

The original bill was introduced at the request of the Department of Revenue, whose representative said it was a "trailer" bill designed to address some issues that had arisen in the wake of the 2012 changes in state income and severance tax law.

The Senate Assessment and Taxation Committee on February 6, upon the motion of Senator Bruce, amended the bill to incorporate the subject matter relating to the income tax add back for Subchapter S corporations with subsidiaries otherwise subject to the privilege tax. The provision had been suggested by the Kansas Bankers' Association.

According to the Department, the language repealing the different Kansas basis requirement would reduce State General Fund receipts by \$8.0 million annually beginning in FY 2014; and eliminating the add back for certain Subchapter S corporations with subsidiaries subject to the privilege tax would reduce receipts by an additional \$2.5 million annually.

The reduction of \$10.5 million in SGF receipts was not taken into account in the *Governor's Budget*.